

# **ZHEJIANG CANGNAN INSTRUMENT GROUP COMPANY LIMITED**

*(A joint stock company incorporated in the People's Republic of China with limited liability)*

**(Stock code: 1743)**

## **ARTICLES OF ASSOCIATION**

## **CONTENTS**

Chapter 1	General Provisions . . . . .	3
Chapter 2	Purposes and Scope of Business . . . . .	5
Chapter 3	Shares . . . . .	5
Chapter 4	Shareholders and Shareholders' General Meeting . . . . .	20
Chapter 5	The Board of Directors . . . . .	39
Chapter 6	General Manager . . . . .	51
Chapter 7	Supervisory Committee . . . . .	52
Chapter 8	Qualifications and Duties of the Directors, Supervisors and Senior Management Officers of the Company . . . . .	55
Chapter 9	Financial and Accounting System and Profit Distribution . . . . .	62
Chapter 10	Appointment of Accounting Firm . . . . .	65
Chapter 11	Notice and Announcement . . . . .	68
Chapter 12	Merger, Division, Dissolution and Liquidation . . . . .	69
Chapter 13	Procedures for Amendment to the Articles of Association . . . . .	73
Chapter 14	Settlement of Disputes . . . . .	74
Chapter 15	Supplementary Provisions . . . . .	75

## CHAPTER 1 GENERAL PROVISIONS

**Article 1** The Articles of Association (the “Articles of Association”) are formulated in accordance with the Company Law of the People’s Republic of China (the “Company Law”), Securities Law of the People’s Republic of China, Special Provisions of the State Council on the Overseas Offering and Listing of Shares by the Joint Stock Limited Companies (the “Special Provisions”), Mandatory Provisions for Articles of Association of Companies to be Listed Overseas(the “Mandatory Provisions”), the Letter of Opinions on Supplements and Amendments to the Articles of Association of Companies Listed in Hong Kong, Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and other relevant laws and administrative regulations and with reference to the Guidelines for the Statutes of Listed Companies of China Securities Regulatory Commission (the “China Securities Regulatory Commission”) combined with the Company’s actual situation, to regulate the organization and activities of Zhejiang Cangnan Instrument Group Co., Ltd. (the “Company”), and to safeguard the legitimate rights and interests of the Company, its shareholders and creditors.

**Article 2** The Company is a joint stock limited company incorporated in accordance with the Company Law, the Special Provisions, and other relevant laws and administrative regulations of the People’s Republic of China (the PRC) (for the purpose of the Articles of Association excluding Hong Kong SAR (Hong Kong), Macau SAR (Macau) and Taiwan).

The Company registered with the Market Supervision and Administration Bureau of Zhejiang Province. The unified social credit code of the Company is: 91330327145778462F.

There are 30 promoters of the Company, including Hong Zuobin, Huang Youliang, Cangnan County Huashi Investment Management Enterprise (LP), Cangnan County Changhua Investment Management Enterprise (LP), Cangnan County Dongxing Investment Management Enterprise (LP), Cangnan County Cangyi Investment Management Enterprise (LP), Zhang Shengyi, Yin Xingjing, Lin Zichan, Jin Wensheng, Fan Zefeng, Lin Deqing, Xie Shangpeng, Zhou Xiaoding, Deng Zhaoming, Huang Ruihua, Lin Zhongzhu, Ye Sigong, Lin Shangyun, Ye Decai, Ma Jiaming, Chen Zhouqun, Tang Liangtao, Lin Tianqi, Lin Jingdian, Li Longqin, Huang Chaochuan, Huang Xijun, Lin Xinxia and Song Xianqing.

**Article 3** The registered name of the Company:

Chinese (in full): 浙江蒼南儀錶集團股份有限公司

English (in full): ZHEJIANG CANGNAN INSTRUMENT GROUP COMPANY LIMITED

- Article 4** Domicile of the Company: Industrial Demonstrative Park, Lingxi Town, Cangnan County
- Postcode: 325800
- Telephone: 0577-64839390
- Facsimile: 0577-64839306
- Article 5** The legal representative of the Company shall be the Chairman of the Company.
- Article 6** The Company is a joint stock limited company in perpetual existence.
- Article 7** All assets of the Company are divided into shares with the same par value per share. Shareholders' liabilities of the Company are limited to the shares subscribed by them, and the Company's liability to the debts is limited to the amount of its entire assets.
- Article 8** Upon approval at the general meeting of the Company, the Articles of Association came into effect from the date on which the overseas listed foreign Shares were listed and traded on the Hong Kong Stock Exchange ("Hong Kong Stock Exchange"), the Company's original articles of association automatically expired.
- Article 9** Commencing from the date of on which the Articles of Association came into effective, the Articles of Association shall 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, and are binding on the Company and its Shareholders, Director(s), Supervisor(s) and senior management officer(s). The foregoing personnel are entitled to assert their rights regarding the Company's affairs in accordance with the Articles of Association.
- Without contravening the provisions of Article 232, the Articles of Association are actionable by a shareholder against the Company and vice versa, by the Company against shareholders, by shareholders against each other and by a shareholder against the Directors, Supervisors and senior management officer(s) of the Company.
- The actions referred to in the preceding paragraph include court proceedings and arbitration proceedings.
- Article 10** The Company may invest in other limited liability companies and joint stock liability companies. The Company's liabilities to an investee company shall be limited to the amount of its capital contribution or value of its subscribed shares to such investee company; unless otherwise permitted by the laws, the Company may not assume obligations for the debts of the investee companies.
- Article 11** Senior management officer(s) referred to in the Articles of Association refer to the General Manager, Vice General Manager, financial controller, Chief Engineer, Secretary to the Board and other personnel that the board may hire.

## CHAPTER 2 PURPOSES AND SCOPE OF BUSINESS

**Article 12** The business purposes of the Company are to maximize economic efficiency and optimize social benefits.

**Article 13** The scope of business of the Company: instruments and meters, gas equipment, automation complete equipment, research on software products, manufacture and sale; research, manufacturing and sales of clean energy; export business of the Company's self-produced products and technology and import business of equipment, spare parts, raw and auxiliary materials and technology we require, except for goods and technologies that are state-restricted or prohibited from import and export.

The scope of business of the Company is subject to the projects verified and approved by the company registration authority.

## CHAPTER 3 SHARES

### Section 1 Issue of Shares

**Article 14** The Company shall have ordinary shares at all times. The Company may issue shares of other classes pursuant to its needs and upon approval by approving authority as authorized by the State Council.

**Article 15** The shares of the Company shall be represented by share certificates.

All shares of the Company shall have a par value at RMB1 each.

For the purpose of the above paragraph, "RMB" means the legal currency of China.

**Article 16** The issuance of the Company's shares shall adhere to the principle of openness, fairness and justice and shares of the same class shall have the same rights.

**Article 17** As for the shares of the same class in the same issuance, the terms and price of the issuance shall be the same for each share. The price paid by any unit or individual for such shares subscribed shall be the same for each of such shares.

**Article 18** Subject to approval of the securities regulatory authority of the State Council, the Company may issue shares to domestic and foreign investors.

For the purpose of the preceding paragraph, "foreign investors" shall refer to investors from foreign countries, Hong Kong, Macau and Taiwan who subscribe for shares of the Company, and "domestic investors" shall refer to investors inside China, excluding the abovementioned regions, who subscribe for shares of the Company.

**Article 19** Shares issued by the Company to domestic and other qualified investors for subscription in Renminbi shall be referred to as referred domestic shares. Shares issued by the Company to foreign and other qualified investors for subscription in foreign currency shall be referred to as foreign shares. Foreign shares which are listed outside the PRC shall be to as overseas listed foreign shares.

Upon approval of the securities regulatory authorities of the State Council and the overseas securities regulatory authorities, the domestic shares that can be listed and traded on the Hong Kong Stock Exchange and the overseas listed foreign shares are the same class of shares, and collectively referred to as overseas listed shares.

The foreign currency referred to in the preceding paragraph is a convertible legal currency (other than Renminbi) of other countries or regions which is recognized by the foreign exchange administration authority of China and can be used for payment of the Company's shares.

Upon approval of the securities regulatory authorities of the State Council, holders of unlisted shares of the Company may transfer their shares to overseas investors for listing and dealing on overseas stock exchanges; holders of the domestic shares may transfer all or part of the shares held by them to overseas investors, and have the shares listed and traded on overseas stock exchanges upon approval of overseas stock exchanges; and all or part of domestic shares may be converted into overseas listed shares that can be listed and traded on overseas stock exchanges. The listing of transferred shares on overseas stock exchanges shall comply with the regulatory procedures, regulations and requirements of such overseas stock exchanges. No shareholders' general meeting or shareholders' class meeting is required with respect to the conversion and/or transfer of the above shares and their listing and trading on overseas stock exchanges. The overseas listed shares converted from the domestic shares are the same class of shares as the original overseas listed foreign shares.

**Article 20** Upon approval of the State Council authorized approval authorities, 51,890,000 ordinary shares were issued to the promoters upon the establishment of the Company. All promoters contributed to the Company with their net assets of Zhejiang Cangnan Instrument Group Co., Ltd. audited on the basis of 31 December 2016 and subscribed for the Company shares. The shares subscribed by the promoters and their shareholdings are as follows:

- (I) Hong Zuobin subscribed for 9,253,400 shares, with a shareholding of 17.833%;
- (II) Huang Youliang subscribed for 6,697,900 shares, with a shareholding of 12.908%;
- (III) Cangnan County Huashi Investment Management Enterprise (LP) subscribed for 4,912,000 shares, with a shareholding of 9.466%;
- (IV) Cangnan County Changhua Investment Management Enterprise (LP) subscribed for 4,830,000 shares, with a shareholding of 9.308%;
- (V) Cangnan County Dongxing Investment Management Enterprise (LP) subscribed for 4,741,000 shares, with a shareholding of 9.137%;
- (VI) Cangnan County Cangyi Investment Management Enterprise (LP) subscribed for 4,699,000 shares, with a shareholding of 9.056%;
- (VII) Zhang Shengyi subscribed for 2,005,100 shares, with a shareholding of 3.864%;
- (VIII) Yin Xingjing subscribed for 1,710,700 shares, with a shareholding of 3.297%;
- (IX) Lin Zichan subscribed for 1,710,700 shares, with a shareholding of 3.297%;

- (X) Jin Wensheng subscribed for 1,604,000 shares, with a shareholding of 3.091%;
- (XI) Fan Zefeng subscribed for 1,420,000 shares, with a shareholding of 2.737%;
- (XII) Lin Deqing subscribed for 1,318,300 shares, with a shareholding of 2.541%;
- (XIII) Xie Shangpeng subscribed for 960,000 shares, with a shareholding of 1.850%;
- (XIV) Zhou Xiaoding subscribed for 920,000 shares, with a shareholding of 1.773%;
- (XV) Deng Zhaoming subscribed for 828,000 shares, with a shareholding of 1.596%;
- (XVI) Huang Ruihua subscribed for 736,000 shares, with a shareholding of 1.418%;
- (XVII) Lin Zhongzhu subscribed for 729,500 shares, with a shareholding of 1.406%;
- (XVIII) Ye Sigong subscribed for 368,000 shares, with a shareholding of 0.709%;
- (XIX) Lin Shangyun subscribed for 368,000 shares, with a shareholding of 0.709%;
- (XX) Ye Decai subscribed for 368,000 shares, with a shareholding of 0.709%;
- (XXI) Ma Jiaming subscribed for 276,000 shares, with a shareholding of 0.532%;
- (XXII) Chen Zhouqun subscribed for 276,000 shares, with a shareholding of 0.532%;
- (XXIII) Tang Liangtao subscribed for 239,000 shares, with a shareholding of 0.461%;
- (XXIV) Lin Tianqi subscribed for 184,000 shares, with a shareholding of 0.355%;
- (XXV) Lin Jingdian subscribed for 159,200 shares, with a shareholding of 0.307%;
- (XXVI) Li Longqin subscribed for 147,000 shares, with a shareholding of 0.283%;
- (XXVII) Huang Chaochuan subscribed for 147,000 shares, with a shareholding of 0.283%;
- (XXVIII) Huang Xijun subscribed for 98,200 shares, with a shareholding of 0.189%;
- (XXIX) Lin Xinxia subscribed for 92,000 shares, with a shareholding of 0.177%;
- (XXX) Song Xianqing subscribed for 92,000 shares, with a shareholding of 0.177%.

**Article 21** Upon approval of the securities regulatory authority of the State Council, the Company may issue no more than 17,296,667 overseas listed foreign shares upon the establishment of the Company. In the event that the over-allotment shares are fully exercised, overseas listed foreign shares may not exceed 19,891,167 shares.

Upon completion of the issue of overseas listed foreign shares, the share capital structure of the Company shall comprise 69,791,167 ordinary shares, of which 51,890,000 were held by the promoters, namely, Hong Zuobin, Huang Youliang, Cangnan County Huashi Investment Management Enterprise (LP), Cangnan County Changhua Investment Management Enterprise (LP), Cangnan County Dongxing Investment Management Enterprise (LP), Cangnan County Cangyi Investment Management Enterprise (LP), Zhang Shengyi, Yin Xingjing, Lin Zichan, Jin Wensheng, Fan Zefeng, Lin Deqing, Xie Shangpeng, Zhou Xiaoding, Deng Zhaoming, Huang Ruihua, Lin Zhongzhu, Ye Sigong, Lin Shangyun, Ye Decai, Ma Jiaming, Chen Zhouqun, Tang Liangtao, Lin Tianqi, Lin Jingdian, Li Longqin, Huang Chaochuan, Huang Xijun, Lin Xinxia and Song Xianqing and 17,901,167 were held by the holders of overseas listed foreign shares.

**Article 22** Upon approval by the securities regulatory authority of the State Council of the proposal for issue of domestic shares and overseas listed shares of the Company, the Board of the Company may make implementation arrangements of separate issue.

The Company's proposal for separate issue of domestic shares and overseas listed shares pursuant to the preceding paragraph may be implemented within fifteen (15) months from the date of approval by the securities regulatory authority of the State Council; unless otherwise specified by the securities regulatory authority of the State Council.

**Article 23** Where the Company issues domestic shares and overseas listed 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. If they cannot be fully subscribed for at one time under special circumstances, these shares may be issued in several times subject to the approval of the securities regulatory authority of the State Council.

## **Section 2 Change in and Repurchase of Shares**

**Article 24** The Company's registered capital is RMB69,791,167.

**Article 25** Subject to separate resolution made at the general meeting and in accordance with laws and regulations, the Company may, based on its requirements for operation and development, approve an increase of capital in accordance with the relevant provisions of the Articles of Association.

The Company may increase its capital by way of:

- (I) open offer of new shares;
- (II) new share placement to its existing shareholders;



- (III) issue of bonus shares to its existing shareholders;
- (IV) conversion of capital reserve into share capital;
- (V) other ways as permitted by laws and regulations.

The Company's increase of capital by issuing new shares shall be, after being approved in accordance with the requirements under the Articles of Association, conducted in accordance with the procedures stipulated by the relevant laws, regulations of China and the procedures required by securities regulatory authorities of the place where the Company's shares are listed.

**Article 26** Transfer of overseas listed shares listed in Hong Kong requires registration by the share registrar in Hong Kong appointed by the Company.

In the event that the Company is granted the right to sell shares of a shareholder who cannot be contacted, no such right shall be exercisable except in compliance with the following requirements:

- (I) the dividends of the underlying shares have been declared at least three times in the past 12 years, and such dividends have not been cashed during this period; and
- (II) upon the expiry of 12 years and the Company has advertised in newspapers stating its intention of selling the shares, and has notified the Hong Kong Stock Exchange of the intention.

**Article 27** In the event that the directors, supervisors, senior management officer(s) and shareholder holding 5% or more of the total shares of the Company sell his shares in the Company within six months of the purchase, or purchase the shares again within six months of the sale, the profit thus made shall be attributable to the Company and the board of directors shall collect all such profits. The transfer restriction on overseas listed shares shall also be subject to the relevant requirements of the Main Board Listing Rules of Hong Kong Stock Exchange. However, in the event that a securities company purchases unsold shares as an underwriter and becomes a holder of more than 5% of the shares, it shall not be subject to the six months' selling restriction.

In the event that the board of directors fails to comply with the provisions of the preceding paragraph, the shareholders are entitled to demand the board of directors to do so within 30 days. The shareholders are entitled to file litigation at court in their own names for the interests of the Company if the board of directors fails to comply with the provisions within the said period.

In the event that the board of directors fails to comply with paragraph (1) of this Article, the directors at fault shall assume joint and several liabilities in accordance with the laws.

**Article 28** The Company may reduce its registered capital. Where the Company reduces its registered capital shall comply with the Company Law and procedures provided by other relevant regulations and the Articles of Association.

**Article 29** The Company shall prepare a balance sheet and an inventory of property when it reduces its registered capital.

The Company shall notify its creditors within ten(10) days from the date of the Company's resolution on reduction of registered capital and shall publish an announcement in the newspaper within thirty(30) days from the date of such resolution. 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 forty-five(45) days from the date of the announcement, to require the Company to repay its debt or provide a corresponding guarantee for such debt.

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

**Article 30** The Company may, subject to the Articles of Association and approval of the relevant competent authority of the PRC, repurchase its issued shares under the following circumstances in accordance with legal procedures:

- (I) reducing registered capital of the Company;
- (II) merging with any other companies holding the shares in the Company;
- (III) granting the shares to the employees of the Company as incentives;
- (IV) being requested to repurchase the shares of the Company by the shareholders who object to the resolutions adopted at shareholders' general meeting concerning merger or division of the Company;
- (V) other circumstances as permitted by the laws and administrative regulations.

Save as abovementioned, the Company shall not engage in trading of its own shares.

**Article 31** The Company may repurchase its shares in any of the following manners upon being approved by the relevant competent authorities of the PRC:

- (I) making a repurchase offer to all shareholders on a pro rata basis;
- (II) repurchasing by means of public dealing on a stock exchange;
- (III) repurchasing by an off-market agreement;
- (IV) other means as permitted by the laws, administrative regulations and securities regulatory authorities of the place where the Company's shares are listed.

**Article 32** Where the Company repurchases its shares by an off-market agreement, the prior approval of the shareholders' general meeting shall be obtained in accordance with the Articles of Association. The Company may terminate or amend the contracts entered into in the abovementioned ways or waive its rights under a contract entered into in the abovementioned ways.

A contract to repurchase shares referred to in the preceding paragraph includes (without limitation) an agreement to become obliged to repurchase and an acquisition of the right to repurchase shares of the Company.

The Company shall not assign a contract to repurchase its shares or the rights under a contract to repurchase its shares.

For the redeemable shares which can be purchased by the Company, other than such purchases made through the market or by tender, the purchase price shall be limited to a certain single maximum price. In the event that such purchases are made by tender, tenders shall be available to all shareholders alike.

**Article 33** Any repurchase of shares by the Company for the purpose of Article 30 (1) to (3) of the foregoing paragraph shall be resolved at the shareholders' general meeting. Upon the Company purchased shares in accordance with Article 30, the shares shall be cancelled within ten(10) days of such purchase in the event of clause (1) above; or cancelled or transferred within six(6) months of such purchase in the event of clause (2) and clause (4).

Should the Company purchase the Company's shares in accordance with Article 30(3), the number of shares may not exceed 5% of the total number of the outstanding shares issued by the Company. The fund used for the purchase shall be deducted from the Company's after-tax profits. The shares so purchased shall be transferred to the employees within one year.

Where the Company cancelled any shares resulting from the repurchase, the Company shall file an application for the registration of a change of its registered capital with the competent company registration authority. The aggregate par value of the shares being cancelled shall be deducted from the Company's registered capital.

**Article 34** Unless the Company is in the course of liquidation, the Company shall comply with the following provisions when repurchasing its issued shares:

(I) Where the Company repurchases its own shares at par value, payment shall be deducted from the book balance of distributable profits of the Company and the proceeds from the issuance of new shares for the purpose of repurchasing the existing shares;

- (II) Where the Company repurchases shares of the Company at a price higher than the par value, the portion equivalent to the par value shall be deducted from the book balance of the distributable profits of the Company and the proceeds from the issuance of new shares for the purpose of repurchasing the existing shares, and the premium shall be handled as follows:
- (i) in the event that the shares repurchased were issued at par value, the payment shall be deducted from the book balance of the distributable profits of the Company;
  - (ii) in the event that the shares repurchased were issued at a price higher than the par value, payment shall be deducted from the book balance of the distributable profits of the Company and the proceeds from the issuance of new shares for the purpose of repurchasing the existing shares, provided that the amount deducted from the proceeds from the issuance of new shares shall neither exceed the aggregate premium from the issuance of the existing shares repurchased nor shall it exceed the amount (including the premiums from the new share issue) in the premium account or the capital reserve account at the repurchase;
- (III) Payments for the following purposes shall be made out of the Company's distributable profits:
- (i) acquisition of the right to repurchase shares of the Company;
  - (ii) modification of any contract to repurchase shares of the Company;
  - (iii) release of any of the Company's obligation under any contract for the repurchase of its shares.
- (IV) Upon the total par value of the cancelled shares was deducted from the Company's registered capital in accordance with the relevant regulations, the amount deducted from the distributable profits for the repurchase of the shares at par value shall be included in the Company's premium account (or capital reserve account).

where the laws, administrative regulations and relevant requirements of the securities regulatory authorities in the place where the shares of the Company are listed have any other provisions in respect of the financial arrangement related to the share buy-back, such provisions shall prevail.

### **Section 3 Transfer of Shares**

**Article 35** Unless otherwise provided in laws, administrative regulations, the listing rules in the place where the shares of the Company are listed and the Articles of Association, shares of the Company are transferrable free of lien.

**Article 36** The Company shall not accept its shares being held as security under a pledge.

**Article 37** The shares of the Company held by promoters shall not be transferred within one(1) year from the date of establishment of the Company. Shares in issue prior to the public offering of the Company shall not be transferred within one year from the date of listing of the shares on any stock exchange.

Directors, supervisors and senior management officer(s) shall report to the Company their shareholdings in the Company and changes in their shareholdings. The shares transferred by them in a particular year during their term of office shall not exceed 25% of the total same class of shares being held and the shares they held in the Company shall not be transferred within one(1) year from the listing date of the shares and within half a year after their terms of office. The transfer restriction on overseas listed shares shall also be subject to the relevant requirements of the Listing Rules.

#### **Section 4 Financial Assistance for the Acquisition of the Shares of the Company**

**Article 38** The Company or 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 incurs any obligations due to the acquisition of shares of the Company.

The Company or 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.

The provisions in this Article shall not apply to the circumstances stated in Article 40 of the Articles of Association.

**Article 39** The financial assistance referred to in this Chapter includes, but not limited to the following means:

- (I) gift;
- (II) guarantee (including the liability or provisions of property by the guarantor to secure the performance of the obligations by the obligor), or indemnity (other than indemnity arising from the Company's own default) and release or waive of any rights;
- (III) provision of loan or any other contract under which the obligations of the Company are to be fulfilled prior to the obligations of the other party, and a change in the parties to, and the assignment of rights arising under, such loan or contract;
- (IV) 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 way of contract or the entering into an arrangement (whether enforceable or not, and whether made on its own account or with any other persons), or by changing of the obligor’s financial position by any other means.

**Article 40** The following activities shall not be deemed to be activities as prohibited under Article 38:

- (I) 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 an incidental part of a master plan of the Company;
- (II) the lawful distribution of the Company’s assets by way of dividends;
- (III) the allotment of bonus shares as dividends;
- (IV) a reduction in 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;
- (V) the provision of a loan 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 thereby reduced, the financial assistance is paid out of the distributable profits of the Company);
- (VI) the provision of money by the Company for contributions to employee share schemes (provided that the net assets of the Company are not thereby reduced or that, to the extent that the assets are thereby reduced, the financial assistance is paid out of the distributable profits of the Company).

### **Section 5 Share Certificate and Register of Shareholders**

**Article 41** The share certificates of the of the Company shall be in registered form.

In addition to the information required by the Company Law, the share certificates of the Company shall also contain other information required by the stock exchange on which its shares are listed.

During the period when the overseas listed shares are listed on the Hong Kong Stock Exchange, the Company shall ensure that all of the title documents relating to the securities listed on the Hong Kong Stock Exchange (including the overseas listed shares certificates) contain the following statements, and shall instruct and procure the share registrars not to register any subscription, purchase or transfer of share in the name of any individual holder unless and until he submits such properly executed forms to the share registrars which shall include the following statements:

- (I) the purchaser of the shares agrees with the Company and each shareholder, and the Company agrees with each shareholder, to observe and comply with the Company Law, the Special Provisions, the Listing Rules and other laws, administrative regulations and the Articles of Association.
- (II) the purchaser of the shares agrees with the Company, each shareholder, director, supervisor, general manager and other senior management officer of the Company, and the Company (for itself and on behalf of each director, supervisor, general manager and other senior management officer) agrees with each shareholder, to refer all disputes and claims arising from the Articles of Association or any rights and obligations conferred or imposed by the Company Law and other relevant laws and regulations of the PRC and the Listing Rules applicable to the Company relating to the affairs of the Company to arbitration in accordance with the Articles of Association. Any reference to arbitration shall be deemed to authorize the arbitration tribunal to conduct hearing in open session and to publish its award. Such award shall be final and conclusive.
- (III) the purchaser of the shares agrees with the Company and each shareholder that the shares of the Company are freely transferable by the holder thereof.
- (IV) the purchaser of the shares authorizes the Company to enter into a contract on his behalf with each of the directors, general manager and other senior management officer(s) whereby such directors, general manager and senior management officer(s) undertake to observe and comply with their obligations to the shareholders as stipulated in the Articles of Association.

**Article 42** The share certificates shall be signed by the Chairman. Where the stock exchange of the place where the Company's shares are listed requires the share certificates to be signed by other senior management officer(s), the share certificates shall also be signed by such senior management officer(s). The share certificates shall come into effect after being affixed, or affixed by way of printing, with the seal of the Company. The share certificates shall only be affixed with the Company's seal under the authorization of the board. The signatures of the chairman of the Company or other relevant senior management officer(s) on the share certificates may also be in printed form. Where the shares of the Company are issued and traded in a paperless form, it shall comply with regulations otherwise stipulated by the securities regulatory authority of the place where the Company's shares are listed.

**Article 43** The Company shall keep a register of shareholders, which shall contain the following particulars:

- (I) the name, address (residence), occupation or nature of each shareholder;
- (II) the class and number of shares held by each shareholder;
- (III) the amount paid-up or payable in respect of shares held by each shareholder;
- (IV) the serial numbers of the shares held by each shareholder;
- (V) the date on which a person registers as a shareholder;



(VI) the date on which a person ceases to be a shareholder.

The register of shareholders shall be the sufficient evidence for the shareholders' shareholding in the Company, except in cases with contrary evidence.

In the event that two or more persons are registered as the joint shareholders of any shares, they shall be deemed to be joint holders of such shares and be subject to the following provisions:

- (I) the Company is not obliged to register more than four persons as the joint shareholders of any shares;
- (II) all the joint shareholders of any shares shall jointly and severally assume the liability to pay all amounts payable for the relevant shares;
- (III) in the event that one of the joint shareholders has deceased, only the surviving joint shareholders shall be deemed by the Company to be the persons owning the relevant shares. Nevertheless, the board of directors shall, for the purpose of revising the register of shareholders, have the right to demand evidence of death of such shareholder where it deems appropriate; and
- (IV) as to the joint shareholders of any shares, only the joint shareholder whose name appears first in the register of shareholders is entitled to receive the share certificate for the relevant shares and the notices of the Company, and to attend and exercise all voting rights attached to the relevant shares in the shareholders' general meetings of the Company. Any notice served on the abovementioned person shall be deemed to have been served on all joint shareholders of the relevant shares.

**Article 44** The Company may, in accordance with the mutual understanding and agreements made between the securities regulatory authority of the State Council and overseas securities regulatory authorities, maintain its register of holders of overseas listed shares outside the PRC and appoint overseas agent(s) to manage such register. The original register of the holders of overseas listed shares listed in Hong Kong shall be maintained in Hong Kong.

The Company shall maintain a duplicate of the register of holders of overseas listed 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 shares at all times.

In the event that there is any inconsistency between the original and the duplicate of the register of holders of overseas listed shares, the original version shall prevail.

**Article 45** The Company shall maintain a complete register of shareholders.

The register of shareholders shall include the following:

- (I) the register of shareholders maintained at the Company's domicile (other than those parts as described in clauses (2) and (3) of this paragraph;



- (II) the register of shareholders in respect of the holders of overseas listed shares of the Company maintained at the place where the overseas stock exchange where the shares are listed is located;
- (III) the register of shareholders maintained at such other place as the board may consider necessary for the purpose of listing of the Company's shares.

**Article 46** Different parts of the register of shareholders 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 shareholders.

All fully paid-up overseas listed 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 fulfils the following conditions:

- (I) HK\$2 or such higher fees as agreed by the Stock Exchange of Hong Kong has been paid to the Company to register the instrument of transfer of shares and other documents relating to or which may affect the ownership of such shares;
- (II) the instrument of transfer involves only the overseas listed shares listed in Hong Kong;
- (III) the stamp duty payable on the instrument of transfer has been paid;
- (IV) 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;
- (V) In the event that the shares are to be transferred to joint holders, the number of such joint holders shall not exceed four;
- (VI) the Company does not have any lien over the relevant shares;
- (VII) no transfer of share shall be made to minors or persons of unsound mind or under other legal disability.

In case the Company refuses to register the share transfer, the Company shall issue a notice on the refusal to register the share transfer to the transferor and the transferee within two months after the application for transfer is formally submitted.

Alteration or rectification of each part of the register of shareholders shall be made in accordance with the laws of the place where that part of the register of shareholders is maintained.

All transfer of overseas listed shares shall be effected with a written instrument of transfer in general or ordinary format or such other format as acceptable to the board of directors. If the transferor or transferee is a recognized clearing house as defined by relevant laws of Hong Kong or its agent, the written instrument of transfer may be signed in mechanically-printed form. All instruments of transfer shall be kept at the Company's domicile of or other addresses the board of directors may designate.

**Article 47** Transfers or conversions may not be entered in the register of shareholders within thirty(30) days prior to the date of a shareholders' general meeting or within five(5) days prior to the record date set by the Company for the purpose of distribution of dividends.

Provisions otherwise provided by securities regulatory authorities where the shares of the Company are listed shall prevail.

**Article 48** 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 of directors shall appoint a record date for the registration of shareholdings, and shareholders whose names appear on the register of shareholders at the close of business of the record date shall be shareholders of the Company.

**Article 49** Any person who objects to the register of shareholders and requests to have his name entered in or removed from the register of shareholders may apply to a court of competent jurisdiction for rectification of the register.

**Article 50** Any shareholder who is registered in, or any person who requests to have his name entered in, the register of shareholders may, if his share certificate (that is his "original certificate") was lost, apply to the Company for a replacement share certificate in respect of such shares ("relevant shares").

In the event that a holder of the domestic shares has his share certificate lost and applies for a replacement, it shall be dealt with in accordance with the provisions of the Company Law.

In the event that a holder of overseas listed shares has his share certificate lost and applies for a 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 shares is maintained.

Where an overseas listed shares shareholder has his share certificate lost, the application for reissuing shall comply with the following requirements:

- (I) the applicant shall submit an application to the Company in prescribed form accompanied by a notarial act or statutory declaration, containing the grounds upon which the application is made and the circumstances and evidence of the loss of the share certificates 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.

- (II) 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.
- (III) the Company shall, in the event that 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 of directors; the announcement shall be made at least once every thirty(30) days in a period of ninety(90) days.
- (IV) prior to the publication of its announcement of intention to issue a replacement certificate, the Company shall deliver to the stock exchange where the Company is 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 such stock exchange. The announcement shall be exhibited at the premises of such 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 photo copy of the announcement to be published.

- (V) If, upon expiration of the ninety(90) days period referred to in items (III) and (IV) 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.
- (VI) 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 shareholders accordingly.
- (VII) 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 51** Where the Company issues a replacement certificate pursuant to the Articles of Association, the name of a bona fide purchaser who obtains the abovementioned 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 shareholders.

**Article 52** The Company shall not be liable for any damages sustained by any person for 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 4 SHAREHOLDERS AND SHAREHOLDERS' GENERAL MEETING

### Section 1 Shareholders

**Article 53** A shareholder of the Company is a person who lawfully holds shares of the Company and whose name is entered in the register of shareholders.

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

Shareholders holding shares of different classes shall be entitled to the same rights during the dividend distribution or any other type of distribution.

Where a shareholder of the Company is a legal person, its right shall be exercised by its legal representative or proxies on his behalf.

The Company shall not exercise any power against any person who fails to disclose any of his direct or indirect interest in the Company for the purpose of freezing or otherwise damaging the interest of such person as attached to shares.

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

- (I) the rights to receive dividends and other forms of profit distribution in proportion to the number of shares held by them;
- (II) the rights to request, convene, host, attend or appoint proxy to attend shareholders' general meetings and exercise corresponding voting rights in accordance with laws;
- (III) the rights to supervise and manage the operation of the Company and to put forward proposals and raise inquiries;
- (IV) the rights to transfer, donate, or pledge shares held by them in accordance with laws, administrative regulations and the Articles of Association;
- (V) the rights to obtain relevant information in accordance with the Articles of Association of the Company, including:
  - i. to obtain a copy of the Articles of Association upon payment of the cost of such copy;
  - ii. to inspect and photocopy upon payment of a reasonable charge, of
    - (i) all parts of the register of shareholders;

- (ii) personal particulars of each of the directors, supervisors and senior management officer(s) of the Company, including: current and previous names and aliases; main address (domicile); nationality; full-time and all other part-time occupations and duties; identification documents and their numbers;
  - (iii) the status of the Company's share capital;
  - (iv) reports of the aggregate par value, number of shares, highest and lowest prices paid by the Company in respect of each class of shares bought back by the Company since the end of the last financial year and all the expenses paid by the Company therefor;
  - (v) stud of the Company's debentures and minutes of shareholders' general meetings; resolutions of board meetings, resolutions of meetings of the Supervisory Committee and the financial and accounting report;
  - (vi) the latest audited financial statements of the Company, and directors' report, auditor's report and report of the supervisory committee;
- (VI) in the event of the termination or liquidation of the Company, to participate in the distribution of remaining assets of the Company in proportion to the number of shares held;
- (VII) to acquire shares held by shareholders (upon their request) who vote against any resolution proposed in any general meeting on the merger or division of the Company;
- (VIII) other rights conferred by laws, administrative regulations, departmental rules and the Articles of Association.

**Article 55** Where the shareholders request for inspection of the relevant information or demand for materials as mentioned in the preceding Article, they shall provide the Company with written documents evidencing the class and number of shares of the Company they hold. Upon verification of the shareholder's identity, the Company shall provide information requested by such shareholder and may charge a reasonable fee for providing a copy of the above information.

**Article 56** In the event that a resolution passed at the shareholders' general meeting or meeting of the board of directors of the Company violates the laws or administrative regulations, the shareholders shall have the rights to submit a petition to the People's Court to render the same invalid.

In the event that the procedures for convening, or the method of voting at, a shareholders' general meeting or meeting of the board of directors violate the laws, administrative regulations or the Articles of Association, or the contents of a resolution violate the Articles of Association, shareholders shall have the rights to submit a petition to the People's Court to revoke such resolution within sixty(60) days from the date on which such resolution is adopted.

**Article 57** Subject to the provisions under the Article 232, where the Company incurs losses as a result of violation by directors and senior management officer(s) of the laws, administrative regulations or the Articles of Association in the course of performing their duties with the Company, shareholders individually or jointly holding 1% or more of the Company's shares for more than one hundred and eighty(180) consecutive days shall be entitled to request in writing the supervisory committee to initiate proceedings in a People's Court. Where the Company incurs losses as a result of the supervisory committee's violation of the laws, administrative regulations or the Articles of Association in the course of performing its duties with the Company, the shareholders shall be entitled to make a request in writing to the board to initiate proceedings in a People's Court.

In the event that the supervisory committee or the board refuses to initiate proceedings after receiving the written request of shareholders stated in the foregoing paragraph, or fails to initiate such proceedings within thirty(30) days from the date on which such request is received, or in case of emergency where failure to initiate such proceedings immediately will result in irreparable damage to the Company's interests, shareholders described in the preceding paragraph shall have the right to initiate proceedings in a People's Court directly in their own names in the interest of the Company.

Shareholders described in the first paragraph of this article may also initiate proceedings in a People's Court in accordance with the preceding two paragraphs in the event that the lawful interests of the Company are infringed upon by any third parties.

**Article 58** Shareholders may initiate proceedings in the People's Court in the event that a director or a senior management officer has violated the laws, administrative regulations or the Articles of Association, thereby infringing the interests of shareholders.

**Article 59** Shareholders of ordinary shares of the Company shall assume the following obligations:

- (I) to abide by the laws, administrative regulations and the Articles of Association;
- (II) to pay subscription monies according to the number of shares subscribed and the method of subscription;
- (III) not to divest the shares unless required by the laws and regulations;
- (IV) not to abuse the shareholders' rights to jeopardize the interests of the Company or other shareholders; and not to abuse the status of the Company as an independent legal person and the limited liability of shareholders to jeopardize the interests of any creditor of the Company; shareholders of the Company who abuse their shareholder's rights and thereby cause losses to the Company or other shareholders shall be liable for indemnity according to the law;

Where shareholders of the Company abuse the Company's position as an independent legal person and the limited liability of shareholders for the purposes of evading repayment of debts, thereby materially impairing the interests of the creditors of the Company, such shareholders shall be jointly liable for the debts owed by the Company;

- (V) 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 60** The controlling shareholders and the de facto controller of the Company shall not use their affiliation to act in detriment to the interests of the Company. In the event they have violated relevant provisions and caused damages to the Company, they shall be liable for such damages.

The controlling shareholders and the de facto controller of the Company shall have fiduciary duties towards the Company and its public shareholders. The controlling shareholder shall exercise its rights as a contributor in strict compliance with the laws. The controlling shareholders shall not take advantage of profit distribution, asset restructuring, foreign investment, appropriation of capital, offering security for loans to the detriment of the statutory interests of the Company and public shareholders and shall not make use of its controlling status against the interests of the Company and its public shareholders.

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

- (I) to relieve a director or supervisor of his duty to act honestly in the best interests of the Company;
- (II) to approve the expropriation by a director or supervisor (for his own benefit or for the benefit of another person), in any guise, of the Company's assets, including (but not limited to) opportunities beneficial to the Company;
- (III) to approve the expropriation by a director or supervisor (for his own benefit or for the benefit of another person) of the individual rights of other shareholders, including (but not limited to) rights to distributions and voting rights, save for the company restructuring submitted to the general meeting for approval in accordance with the Articles of Association.

**Article 61** The term "controlling shareholder" referred to in the preceding Article means a person who satisfies any one of the following conditions:



- (I) he alone, or acting in concert with others, has the power to elect more than half of the members of the board of directors;
- (II) he alone, or acting in concert with others, has the power to exercise or to control the exercise of 30% or more of the voting rights in the Company;
- (III) he alone, or acting in concert with others, holds 30% or more of the Company;
- (IV) he alone, or acting in concert with others, in any other manner controls the Company in fact.

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

**Article 62** The shareholders' general meeting is the organ of authority of the Company and shall exercise its functions and powers in accordance with the laws.

- (I) to decide on the operating policies and investment plans of the Company;
- (II) to elect and replace directors and supervisors who are not staff representatives, and to determine matters relating to the remuneration of the relevant directors and supervisors;
- (III) to consider and approve the reports of the board of directors;
- (IV) to consider and approve the reports of the supervisory committee;
- (V) to consider and approve the proposed annual preliminary financial budgets and final account proposals;
- (VI) to consider and approve the profit distribution plans and plans for loss recovery of the Company;
- (VII) to determine increases or reductions in the registered capital of the Company;
- (VIII) to determine the issuance of corporate bonds by the Company;
- (IX) to determine matters such as merger, division, dissolution and liquidation of the Company or alteration of corporate form;
- (X) to amend the Articles of Association;
- (XI) to adopt resolutions on the appointments, dismissals or non-reappointments of accounting firms;
- (XII) to consider matters relating to the purchases and disposals of material assets, which are more than 30% of the latest audited total assets of the Company, within one year;



- (XIII) to consider and approve matters relating to changes in the use of proceeds;
- (XIV) to consider share incentive plans;
- (XV) to consider and approve proposed resolutions from shareholders holding 3% or more of the voting shares of the Company;
- (XVI) to consider other matters required to be resolved by the shareholders' general meeting as prescribed by laws, administrative regulations, department regulations, the listing rules of securities regulatory authorities in the place where the shares of the Company are listed and the Articles of Association.

**Article 63** Unless otherwise specified in the Articles of Association, the Company shall not to provide a guarantee for any unit or individual other than the Company and its subsidiaries.

**Article 64** The Company shall not enter into any contract with any person other than the directors, supervisors and senior management officer(s) whereby such person undertakes the management and administration of the whole or any substantial part of the business of the Company except that the Company is in special circumstances such as crises, unless prior approval by way of special resolution is obtained in general meeting.

**Article 65** Shareholders' general meetings include annual shareholders' general meetings and extraordinary shareholders' general meetings. The annual shareholders' general meeting shall be held once every year within six(6) months after the end of the previous accounting year.

The board shall convene an extraordinary shareholders' general meeting within two(2) months upon the occurrence of one of the following situations:

- (I) when the number of directors is less than the number required by the Company Law or less than two-thirds of the number required by the Articles of Association;
- (II) when the uncovered losses are in excess of one-third of the Company's total share capital;
- (III) when shareholders individually or jointly holding 10% or more of the Company's issued voting shares request in writing;
- (IV) the board considers it is necessary;

- (V) or the supervisor committee proposes to convene such a meeting;
- (VI) other situations as provided by the laws, administrative regulations, department regulations, the listing rules of securities regulatory authorities in the place where the shares of the Company are listed and the Articles of Association.

### **Section 3 Convening of the Shareholders' General Meetings**

**Article 66** A shareholders' general meeting shall be convened by the board of directors and chaired by the chairman of the Board.

**Article 67** Two or more independent non-executive directors shall be entitled to propose to the board on convening an extraordinary general meeting. In case that the independent directors propose to convene an extraordinary general meeting, the board shall, in accordance with the laws, administrative regulations and the Articles of Association, give its reply in writing stating whether it agrees or not to the convene an extraordinary general meeting within ten(10) days upon receipt of such proposal.

In the event that the board agrees to convene an extraordinary general meeting, a notice for convening the extraordinary general meeting shall be issued within five(5) days after the Board passed the relevant resolution. In the event the board disagrees to convene an extraordinary general meeting, it shall state the reasons and issue an announcement.

**Article 68** The supervisory committee has the right to propose to the board on convening an extraordinary general meeting and such a proposal shall be made to the board in writing. The board shall give its reply in writing stating whether it agrees or not to convene an extraordinary general meeting within ten(10) days upon the receipt of the said proposal in accordance with the laws, regulations and the Articles of Association.

Where the board agrees to convene an extraordinary general meeting, a notice for convening the extraordinary general meeting shall be issued within five(5) days after the board passed the relevant resolution. Any change to the original proposal in the notice shall be subject to the consent from the supervisory committee.

Where the board disagrees to convene the extraordinary general meeting or fails to give the reply in writing within ten(10) days upon receipt of the proposal, this shall be deemed as the board's inability or failure to exercise the functions and powers of convening the shareholders' general meeting. As such, the supervisory committee can convene and preside over the meeting by itself.

**Article 69** Shareholders individually or jointly holding 10% or more of the shares of the Company may demand the board to convene an extraordinary general meeting in writing. The board shall, within ten(10) days upon the receipt of such written requests, reply in writing on whether or not the board agrees to convene an extraordinary general meeting in accordance with the laws, administrative regulations and the Articles of Association.

In the event that the board agrees to convene an extraordinary general meeting, it will issue a notice of meeting within five(5) days upon the resolution is made by the board. Any change to the original request in the notice shall be subject to the consent from relevant shareholders.

In the event that the board does not agree to convene an extraordinary general meeting, or does not reply within ten(10) days upon the receipt of the request, shareholders individually or jointly holding 10% or more of the shares of the Company shall have the right to propose to the supervisory committee on convening an extraordinary general meeting and such proposal shall be made in the form of written request to the supervisory committee.

In the event that the supervisory committee agrees to convene an extraordinary meeting, it shall issue a notice of meeting within five(5) days upon the receipt of the request. Any change to the original proposal in the notice shall be subject to the consent from relevant shareholders.

The supervisory committee's failure to issue the notice of meeting within the prescribed period shall be deemed as the supervisory committee not convening and not presiding over the meeting. As such, shareholders individually or jointly holding more than 10% of the shares of the Company for more than ninety(90) consecutive days can convene and hold the meeting by themselves.

**Article 70** For a shareholder requests to convene a class shareholders' general meeting, the following procedures should be adopted:

- (I) Two or more shareholders jointly holding 10% or more of the Company's shares, with voting rights in such proposed meeting, may sign one or several written requests with the same format and content and submit to the board of directors to request convening a class shareholders' meeting and explain the agenda for the meeting. The board of directors shall promptly convene a class shareholders' meeting upon receipt of the foregoing written request. The number of shares for purpose of this paragraph shall be the number of shares held on the date on which the shareholders put forward the written request.
- (II) Should the board of directors fail to deliver the notice for convening such meeting within thirty(30) days of receipt of the foregoing written request, the shareholders who put forward such request shall have the right to may convene on their own the meeting within four(4) months of the receipt of the request by the board of directors. The procedures for convening shall be the same, to the greatest possible extent, as those for convening shareholders' general meeting by the board of directors.

**Article 71** In the event that the Supervisory Committee or the shareholder(s) decide(s) to convene the general meeting on its or their own, the Supervisory Committee or the shareholder(s) shall notify the Board in writing and file with the branch office of securities regulatory authority under the State Council where the Company resides and the stock exchange. The board of directors and the secretary to the board of directors shall cooperate. The board of directors shall provide the register of shareholders as of the record date for shares. All the necessary costs incurred shall be borne by the Company and shall be deducted from any amount that the Company may owe such directors who are negligent.

#### **Section 4 Proposal and notice for general meetings**

**Article 72** The contents of a proposal shall be within the scope of the functions and powers of the shareholders' general meeting, have definite topics and specific matters for resolution, as well as be in compliance with the laws, administrative regulations and the Articles of Association.

**Article 73** A forty-five(45) days' prior written notice for convening the shareholders' general meeting shall be given to notify shareholders whose names appear in the register of shareholders of the matters proposed to be considered and the date and place of the meeting. Shareholders who intend to attend the meeting shall serve their written replies to the Company twenty(20) days prior to the date of the meeting.

**Article 74** Where a shareholders' general meeting is convened by the Company, the board of directors, the supervisory committee or shareholders individually or jointly holding an aggregate of 3% or more of the Company's shares are entitled to submit proposals in writing to the Company.

Shareholders individually or jointly holding 3% or more of the Company's shares may submit ad hoc proposals to the convener of a general meeting in writing ten(10) days prior to the general meeting. The convener shall issue a supplementary notice of the general meeting and announce the content of such ad hoc proposals within two(2) days after receipt thereof. The contents of a proposal shall be within the scope of the functions and powers of the shareholders' general meeting, have definite topics and specific matters for resolution.

Except for circumstances provided in the preceding paragraph, the convener of a shareholders' general meeting shall not amend the proposals set out in the notice of the shareholders' general meeting or add any new proposals subsequent to the issue of the notice of the shareholders' general meeting.

The shareholders' general meeting shall neither vote nor make a resolution on any proposals that are not included in the notice or are inconsistent with Article 72 hereof.

**Article 75** The Company shall, based on the written replies received twenty(20) days prior to the date of the shareholders' general meeting from the shareholders, calculate the number of shares carrying voting rights represented by shareholders who intend to attend the meeting. In the event that the number of shares carrying voting rights represented by the shareholders who intend to attend the meeting reaches not less than one half of the Company's total shares carrying voting rights, 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 then may hold the meeting after the publication of such notice.

The extraordinary general meeting shall not make resolutions on the proposals that are not stated in the notice.

**Article 76** A notice of general meeting shall meet the following requirements:

- (I) it shall be in written form;
- (II) it shall specify the place, date and time of the meeting;
- (III) it shall state the matters to be discussed at the meeting;
- (IV) it shall provide shareholders with such information and explanation as are necessary for them to make informed decisions on the matters to be discussed. This principle shall include (but not be limited to) where the Company proposes to merge, repurchase its shares, restructure share capital or undergo other reorganization, the specific conditions and contracts (if any) of the proposed transactions must be provided and the reasons and results of the same must be properly explained;
- (V) if any directors, supervisors, and other senior management officer(s) have material interests in the matters subject to discussion, the nature and extent of such material interests shall be disclosed, and if the effect of the proposed matters on such directors, supervisors and senior management officer(s) in their capacity as shareholders is different from that of other shareholders of the same class, the differences shall also be specified;
- (VI) it shall set out the full text of the special resolutions proposed for approval at the meeting;
- (VII) it shall contain a clear statement that a shareholder who is entitled to attend and vote at the meeting shall have the right to appoint proxies to attend and vote at the meeting on his/her behalf and such proxy or proxies need not be shareholder(s);
- (VIII) it shall state the record date of the shareholders who are entitled to attend the general meeting;

- (IX) it shall state the names and contact telephone numbers of the contact persons in connection with the meeting;
- (X) it shall state the date and place for serving the letter of proxy for the meeting.

**Article 77** A notice of shareholders' general meeting shall be dispatched to shareholders (regardless of their voting rights at the general meeting) by hand or by prepaid mail. The addresses of the recipients shall be such addresses as shown in the register of shareholders. For holders of domestic shares, a notice of general meeting may also be made by way of announcement.

The announcement referred in the preceding paragraph shall be published within a period of forty-five(45) to fifty(50) days prior to the date of the general meeting in one or more newspapers designated by securities regulatory authorities of the State Council. Once an announcement is made, all holders of the domestic shares are deemed to have received the relevant notice of the shareholders' general meeting.

**Article 78** Upon the issuance of the notice of shareholders' general meeting, the shareholders' general meeting shall not be postponed or cancelled without a proper reason and the proposals stated in the notice of general meeting shall not be cancelled. In the event of any postponement or cancellation, the convener shall issue an announcement and state the reasons therein at least two(2) working days prior to the original date of the shareholders' general meeting. Where the listing rules of the place where the Company's shares are listed otherwise requires in respect of the foregoing matters, its regulations shall prevail.

### **Section 5 The Convening of Shareholders' General Meeting**

**Article 79** All shareholders registered on the shareholding record date or their proxies shall be entitled to attend the general meetings, and shall exercise their voting rights in accordance with relevant laws, regulations and the Articles of Association.

Shareholders may attend the general meeting in person and may also appoint proxies to attend and vote at the shareholders' general meeting.

**Article 80** Individual shareholders attending the shareholders' general meeting in person shall present their identity cards or other valid proof or evidence of their identities as well as stock account cards and, in the case of attendance by proxies, the proxies shall present valid proof of their identities and power of attorney from shareholders.

Where a shareholder is a legal entity, its legal representative or a proxy entrusted by such legal representative shall attend the shareholders' general meeting. In case of attendance by legal representatives, they shall present their identity cards and valid proof of their capacities as legal representatives and, in the case of attendance by proxies of such legal representatives, such proxies shall produce their identity cards and written power of attorney duly issued by such legal representatives.

**Article 81** Any shareholder entitled to attend and vote at a general meeting shall have the right to appoint one or more person(s) as a proxy/proxies (who may not be shareholders) to attend and vote at the meeting on their behalf. The proxies so appointed by the shareholders may exercise the following rights:

- (I) have the same right as the shareholder to speak at the shareholders' general meeting;
- (II) have the right to demand at their own discretion or, jointly with others, a poll;
- (III) have the right to vote by show of hands or a poll. Where more than one proxy is appointed, the proxies may only exercise the voting right at a poll.

Where the shareholder and/or warrant holder is a recognised clearing house (within the meaning of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)) or its nominee(s), it may authorise such person or persons as it thinks fit to act as its representative(s) or proxy(ies) at any shareholders' meeting or any meeting of any class of shareholders and/or warrant holders provided that, if more than one person is so authorised, the authorisation or proxy form must specify the number and class of shares and/or warrants in respect of which each such person is so authorised. The person so authorised shall produce authorisation or proxy form in relation to the abovementioned authorisation, but will be deemed to have been duly authorised without the need of producing any documents of title, notarised authorisation and/or further evidence to substantiate that it is so authorised. The person so authorised will be entitled to exercise the same power on behalf of the recognised clearing house as the clearing house or its nominee(s) could exercise as if it were an individual shareholder and/or warrant holder of the Company.

**Article 82** The instrument appointing a proxy shall be in writing under the hand of the appointing shareholder or his attorney duly authorized in writing; where the appointing shareholder is a legal person, such instrument shall be under its seal or under the hand of its director or attorney duly authorized.

**Article 83** The authorized proxy forms shall be deposited at the address of the Company or such other place as may be specified in the notice of the relevant meeting at least 24 hours before the relevant meeting at which such proxies are authorized to vote under such proxy forms, or 24 hours before the designated time for the relevant voting. Where a proxy form is signed by a person under a power of attorney on behalf of the appointer, such power of attorney or other authorization document shall be notarized. A notarized copy of that power of attorney or other authorization document, together with the proxy form appointing a proxy with the authority to vote, shall be deposited at the address of the Company or such other place as may be specified in the notice of the relevant meeting.

Where the appointer is a legal person, its legal representative or any other persons authorized by resolution of its board of directors or other decision-making authority shall attend the shareholders' general meetings of the Company on its behalf.



**Article 84** Any form issued to a shareholder by the board of directors for use by him for appointing a proxy shall allow the shareholder to freely instruct the proxy to vote in favor of or against each resolution relating to each matter to be considered at the relevant meeting. Such form shall contain a statement that in the absence of instructions by the shareholder, his proxy may vote as he thinks fit.

**Article 85** Where the appointing shareholder has deceased or has been incapacitated, or the appointment of a proxy or the power of attorney under which a proxy form is signed has been withdrawn, or the relevant shares have been transferred prior to the relevant voting, a vote given in accordance with the proxy form 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 86** A register of attendance of the meeting shall be prepared by the Company.

The registration book shall set forth the names of attendees (or the attending corporations), their identity card numbers, residential address, number of shares carrying voting rights held or represented, and names of the appointers (or the appointing corporations), etc.

**Article 87** In the event that a shareholders' general meeting is convened by the board of directors, the meeting shall be chaired and presided over by the chairman of the board of directors. Where the chairman of the board of directors is unable to discharge or fails to discharge his/her duties, half or more of the directors shall designate a director to preside over the meeting.

The chairman of the board of supervisors shall preside over the shareholders' general meetings convened by the board of supervisors according to statutory procedures at its sole discretion. In the event that the chairman of the board of supervisors is unable to or fails to fulfill the required obligations, the meeting may be presided over by a supervisor designated by half or more of the supervisors.

For the shareholders' general meetings convened by shareholders according to statutory procedures, the conveners shall nominate a representative to preside over the meeting.

In the event that the chairman of the meeting violates the rules of procedures that results in the general meeting being unable to continue, upon approval by the shareholders representing more than half of the voting rights present at the meeting, a person may be elected to chair the general meeting and the meeting shall continue. If, for any reason, the 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 88** The Company shall formulate the Rules of Procedures for Shareholders' General Meetings which shall set out in detail the convening and voting procedures in respect of the shareholders' general meeting (including notice, registration, consideration and approval for proposals, voting, vote counting, announcement of voting results, the resolution making process, meeting minutes and signing, announcements and other matters) and the principles of granting authorisation to the board at the shareholders' general meeting. The scope of authorisation shall be specified in details. The Rules of Procedures for Shareholders' General Meetings shall be prepared by the board, approved at a shareholders' general meeting and attached to the Articles of Association as an appendix.

**Article 89** Minutes of general meetings shall be recorded by the Secretary to the Board and include the following:

- (I) time, place, agenda of meeting and the name of the convener;
- (II) names of the chairman of the meeting, directors, supervisors and senior management officer(s) attending or present at the meeting;
- (III) number of domestic shareholders (including the proxies) and holders of overseas listed shareholders (including the proxies) attending the meeting, total number of the shares carrying voting rights held by them, and the percentage of shares carrying voting rights held by them to the total number of shares of the Company;
- (IV) process of consideration, key points of the speech and voting results for each proposal;
- (V) shareholders' enquiries or recommendations and respective answers or explanations;
- (VI) names of the vote counter and the scrutinizer;
- (VII) other matters which shall be recorded in the meeting minutes pursuant to the general meeting and the Articles of Association.

**Article 90** The convener of the shareholders' general meeting shall ensure the truthfulness, accuracy and completeness of the meeting minutes. Directors, supervisors, secretary to the board, the convener of the meeting or his representative and the chairman of the meeting shall sign on the meeting minutes. The meeting minutes should be maintained with the signature book of attending shareholders and letters of attorney of their proxies for a period not less than ten(10) years.

**Article 91** The convener of the shareholders' general meeting shall ensure that the general meeting is being conducted continually until resolutions have been resulted. In the event of special reasons such as force majeure resulting in the termination of meeting or the failure of resulting in resolutions, necessary measures shall be taken to resume the shareholders' general meeting as soon as practicable; alternatively, the meeting may be terminated in such circumstances with an announcement and report timely made according to the laws, regulations or the listing rules of the stock exchange on which the Company' shares are listed.

## **Section 6 Voting and Resolutions at Shareholders' General Meetings**

**Article 92** Resolutions of shareholders' general meetings shall take the form of ordinary resolutions or special resolutions.

Ordinary resolutions adopted by the shareholders' general meeting shall be passed by more than one half of the voting rights held by shareholders (including their proxies) attending the shareholders' general meeting who are entitled to vote.

Special resolutions at a shareholders' general meeting shall be passed by more than two-thirds of the voting rights held by shareholders (including their proxies) attending the shareholders' general meeting who are entitled to vote.

**Article 93** Shareholders (including their proxies) exercise their voting rights according to the number of voting shares they represent. Each share shall carry one voting right.

Shares held by the Company do not carry voting rights, and shall not be counted in the total number of voting shares represented by shareholders present at a shareholders' general meeting.

When the shareholders' general meeting considers connected transactions, the connected shareholders shall not participate in the voting provided that the listing rules of the stock exchange on which the Company' shares are listed requires. His/her shares held with voting rights will not be counted within the total number of valid votes.

The public announcement on the voting results of the shareholders' general meeting shall fully disclose the voting results of the non-connected party shareholders. In the event that there are other provisions of the applicable laws, administrative regulations, department regulations, the listing rules of securities regulatory authorities in the place where the shares of the Company are listed, the provisions shall prevail.

**Article 94** Voting at a shareholders' general meeting shall be decided on a show of hands unless a poll is (before or after any vote by show of hands) demanded by the following persons:

- (I) the chairman of the meeting;
- (II) at least two shareholders entitled to vote in person or proxies with voting rights;
- (III) one or more shareholders (including proxy) individually or jointly representing 10% or more of all shares carrying right to vote at the meeting.

Unless a poll is demanded, a declaration by the chairman of the meeting that a resolution has been passed on a show of hands and the recording of such in the minutes of meeting shall be conclusive evidence of the fact that such resolution has been passed. It is not necessary to provide evidence of the number or proportion of votes in favour of or against such resolution.

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

- Article 95** A poll demanded on such matters as the election of chairman of the meeting or the adjournment of the meeting, shall be taken forthwith. A poll demanded on any other matters shall be taken at such time as the chairman of the meeting 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 of that meeting.
- Article 96** On a poll taken at a meeting, a shareholder (including proxy) entitled to two or more votes need not cast all his votes for or against for the relevant resolution.
- Article 97** In case of an equality of votes, whether on a show of hands or on a poll, the chairman of the meeting shall have a casting vote.
- Article 98** The following matters shall be resolved by ordinary resolutions at general meetings:
- (I) working reports of the Board and the Supervisory Committee;
  - (II) the profit distribution plans and loss recovery plans of the Company prepared by the Board;
  - (III) election and replacement of the shareholder representative Directors and Supervisors appointed from staff representatives, and determination of their remuneration and the payment methods;
  - (IV) the Company's annual financial budget plan and final account report;
  - (V) the Company's balance sheets, income statements and other financial statements;
  - (VI) matters other than those required by the laws, administrative regulations, the listing rules of securities regulatory authorities in the place where the shares of the Company are listed and the Articles of Association to be adopted by special resolutions.
- Article 99** The following matters shall be resolved by special resolutions at shareholders' general meetings:
- (I) increase or reduction in the share capital and issue of shares of any class, stock warrants or other similar securities;
  - (II) issuance of corporate bonds;
  - (III) the division, merger, dissolution and liquidation or change of corporate form of the Company;
  - (IV) amendments to the Articles of Association;

- (V) the purchases and disposals of the Company's material assets or the amount of guarantee within one year, which reach or exceed 30% the Company's latest audited total assets;
- (VI) the share incentive plan(s);
- (VII) any other matters required by the laws, administrative regulations, the listing rules of securities regulatory authorities in the place where the shares of the Company are listed and the Articles of Association, or approved at a general meeting by way of an ordinary resolution that it shall be deemed to have a material impact on the Company, and subject to approval by a special resolution.

**Article 100** The chairman of the meeting shall determine whether or not a resolution of the general meeting shall be adopted according to poll results. His decision shall be final and conclusive and shall be announced at the meeting and recorded in the meeting minutes.

**Article 101** In the event that the chairman of the meeting has any doubt as to the result of a resolution put forward for voting, 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 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, the chairman of the meeting shall have the votes counted immediately.

**Article 102** In the event that the votes are counted at the general meeting, the counting results shall be recorded in the meeting minutes.

The meeting minutes together with the signature book for shareholders' attendance and the letters of attorney for proxies attending the meeting shall be kept at the domicile of the Company for a period not less than ten(10) years.

**Article 103** Copies of the meeting minutes shall be available for inspection during business hours of the Company by any shareholder without charge. The Company shall deliver the copy within Seven(7) days after the receipt of reasonable costs if any shareholder who demands from the Company a copy of such minutes.

### **Section 7 Special Procedures for Voting at Class Meetings**

**Article 104** 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 laws, administrative regulations and the Articles of Association.

Where the share capital of the Company includes shares which do not carry voting right, the words "non-voting rights" shall appear in the designation of such shares.

Where the share capital of the Company includes shares with different voting rights, the designation of each class of shares, other than those with the most favorable voting rights, shall include the words "restricted voting" or "limited voting".

**Article 105** 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 Article 107 to Article 111.

**Article 106** Unless otherwise provided in laws, administrative regulations and the Articles of Association, the following circumstances shall be deemed to be a variation or abrogation of the rights of shareholders of a certain class:

- (I) 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 to voting, distribution or other privileges equal or superior to those of the shares of such class;
- (II) to effect a conversion of all or part of shares of such class into shares of other classes, or to effect an exchange or grant a right of conversion of all or part of the shares of other classes into shares of such class;
- (III) to remove or reduce rights to accrued dividends or cumulative dividends attached to shares of such class;
- (IV) to reduce or remove the rights to a preference dividend or preferential distribution of property in a liquidation attached to shares of such class;
- (V) to add, remove or reduce the rights to conversion, options, voting, transfer, preemptive rights to placement and acquire securities of the Company attached to shares of such class;
- (VI) to remove or reduce rights to receive amounts payable by the Company in particular currencies attached to shares of such class;
- (VII) to create a new class of shares having rights to voting, distribution or other privileges equal or superior to those of the shares of such class;
- (VIII) to restrict the transfer or ownership of the shares of such class or increase such restrictions;
- (IX) to issue subscription rights or share conversion rights for shares of such class or other classes;
- (X) to increase the rights and privileges of shares of other classes;
- (XI) 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;
- (XII) to vary or abrogate the terms provided in this chapter.

The transfer of the Company's domestic shares by its holders in whole or part to overseas investors and the listing and trading of such transferred shares on overseas stock exchanges, or the conversion of the domestic shares in whole or part into overseas listed shares and the listing and trading of such converted shares on overseas stock exchanges, shall not be deemed to be a variation or abrogation of the rights of class shareholders proposed by the Company.

**Article 107** The affected class shareholders, whether or not having the right to vote at the general meeting, shall nevertheless have the right to vote at class meetings on matters referred to in clause (II) to (VIII) and (XI) to (XII) of Article 106 of the Articles of Association, but interested shareholders shall not be entitled to vote at class meetings.

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

- (I) in the case of a repurchase of its own shares by the Company by making offers to all shareholders on a same pro rata basis or through public dealing on a stock exchange in accordance with Article 31 of the Articles of Association, “interested shareholder” shall refer to the controlling shareholder as defined in Article 61 of the Articles of Association;
- (II) in the case of a repurchase of its own shares by the Company through an off-market agreement in accordance with the provisions of Article 31 of the Articles of Association, “interested shareholder” shall refer to the shareholder to which the proposed agreement relates;
- (III) 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 proportion burden imposed on other shareholders of that class or who has interests different from those held by shareholders of the same class.

**Article 108** A resolution of the class meeting shall be passed in accordance with Article 107 of the Articles of Association by shareholders present at the meeting who represent not less than two-thirds of voting rights.

**Article 109** Written notice of a class meeting convened by the Company shall be dispatched forty-five(45) days prior to the date of the class meeting to all shareholders of such class whose names appear on the register of shareholders, specifying the matters to be considered and the place, date and time of the meeting. Shareholders who intend to attend the meeting shall serve on the Company written replies of their intention to attend twenty(20) days prior to the date of the meeting.

In the event that the number of shares carrying voting rights at such meeting held by shareholders who intend to attend such meeting reaches one-half or more of the total number of shares carrying voting rights at such meeting, the Company may hold such class meeting; otherwise, the Company shall further notify the shareholders by way of announcement within five(5) days thereof specifying the matters to be considered and the place, date and time of the meeting. After such announcement is given, the Company may then hold the class meeting.

**Article 110** The notice of class meetings shall be delivered to the shareholders entitled to voting thereat.

The procedures for holding the class meeting shall, to the extent possible, be identical with the procedures of a shareholders’ general meeting. The provisions of the Articles of Association in relation to the procedures for holding a shareholders’ general meeting shall be applicable to a class meeting.



**Article 111** Save for holders of shares of other classes, the holders of domestic shares and holders of overseas listed shares are deemed to be different class shareholders.

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

- (I) Where the Company issues, upon approval by a special resolution at a shareholder's general meeting, domestic shares and overseas listed shares once every twelve(12) months, either separately or concurrently, and the respective numbers of domestic shares and overseas listed shares proposed to be issued do not exceed 20% of the respective numbers of the issued domestic shares and overseas listed foreign shares;
- (II) 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 authorities of the State Council;
- (III) Where the domestic shareholders of the Company transfer all or part of their shares to foreign investors upon approval of the securities regulation authorities of the State Council and such transferred shares are listed and traded on the overseas stock exchanges under the approval of the overseas securities regulatory authorities, or the domestic shareholders of the Company convert all or part of the issued domestic shares of the Company into overseas listed shares and such converted shares are listed and traded on the overseas stock exchanges.

## **CHAPTER 5 THE BOARD OF DIRECTORS**

### **Section 1 Directors**

**Article 112** Directors shall be elected or replaced at the shareholders' general meeting. The term of office of the directors shall be three(3) years. Upon maturity of the current term of office, a director shall be eligible to offer himself for re-election and reappointment.

A written notice stating the intention to nominate a candidate for the position of director and the candidate's consent to be nominated shall be delivered to the Company no later than seven days before the shareholders' general meeting. The period of the notice given by the Company shall be no less than seven(7) days (such period shall commence from the day following the date of dispatching the notice of the shareholders' general meeting).

The term of office of a director shall start from the date on which the said director takes office to the expiry of the current session of the board. In the event that the term of office of a director expires but re-election is not made responsively, the said director shall continue fulfilling the duties as a director pursuant to relevant laws, administrative regulations, departmental rules and the Articles of Association until a new director is elected and appointed.



Prior to the expiration of a director's term, his appointment shall not be terminated by the shareholders' general meeting without reasons. The shareholders' general meeting shall remove a director before expiration of his/her term by an ordinary resolution in accordance with relevant laws and administrative regulations (however, any claim which may be raised in accordance with any contract will not be affected).

A director's post may be assumed by the general manager or other senior management officer(s), but the sum of the total number of directors who also assume the duties of the president or other senior management officer(s) and the number of staff representative directors, shall not exceed one half of the total number of directors of the Company.

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

**Article 113** The directors shall comply with the laws, administrative regulations and the Articles of Association and shall faithfully perform their following obligations to the Company:

- (I) not to abuse their rights to accept bribes or other illegal income and not to misappropriate the properties of the Company;
- (II) not to misappropriate the money of the Company;
- (III) not to deposit any assets or money of the Company in any accounts under their names or in the names of other persons;
- (IV) not to violate the Articles of Association and lend the money of the Company to others or provide guarantee to others by charging the Company's assets without approval of the shareholders' general meetings or the board of directors;
- (V) not to enter into contracts or transactions with the Company in violation of the Articles of Association or without approval of the shareholders' general meeting;
- (VI) not to use their position to obtain business opportunities which should be available to the Company for themselves or others, or to run his/her own or others' business which is similar to the Company's business without approval of the shareholders' general meeting;
- (VII) not to accept commissions in relation to transactions between any third party and the Company;
- (VIII) not to disclose the secrets of the Company without consent;
- (IX) not to use their connections to harm the interests of the Company;
- (X) to be bound by other duties of loyalty stipulated by the laws, administrative regulations, departmental rules and the Articles of Association.

The Company shall be entitled to the income gained by the directors in violation of this Article. The director shall be liable for compensation in the event of any loss is caused to the Company.

**Article 114** The directors shall comply with the laws, administrative regulations and the Articles of Association and shall diligently perform their following obligations to the Company:

- (I) to exercise prudently, conscientiously and diligently the rights granted by the Company to ensure that the Company's commercial activities are in compliance with the laws, administrative regulations and the requirements of economic policies of China and that its commercial activities are within the scope stipulated in the business license;
- (II) to treat all shareholders equally and fairly;
- (III) to understand the operation and management of the Company in a timely manner;
- (IV) to approve regular reports of the Company in written form and to ensure the integrity, accuracy and completeness of the information disclosed by the Company;
- (V) to provide all relevant information and materials required by the supervisory committee and shall not intervene the performance of duties of the supervisory committee or supervisors;
- (VI) to perform other obligations of diligence stipulated by the laws, administrative regulations, departmental rules and the Articles of Association.

**Article 115** A director who fails to attend two consecutive meetings of the board of directors in person or by proxy shall be deemed as unable to perform his/her duties. The board of directors shall propose to the shareholders' general meeting for removal of such director.

**Article 116** A director may resign before expiry of his/her term of service. When a director resigns, he shall submit a written resignation notice to the board of directors. The board of directors shall make relevant disclosure within two(2) days.

In the event that the member of directors falls below the minimum statutory requirement due to a director's resignation, the former directors shall still perform their duties as directors in accordance with the requirements of laws, administrative regulations, departmental rules and the Articles of Association prior to the appointment of the re-elected directors.

Save for the circumstances referred to in the preceding paragraph, the director's resignation takes effect upon delivery of his/her resignation report to the board of directors.

**Article 117** When a director's resignation came into effect or his/her term of service expires, the director shall complete all transfer procedures with the board of directors. His/her fiduciary duties towards the Company and the shareholders do not necessarily cease within two(2) years after the end of his/her term of service.

**Article 118** No directors shall act, in their personal capacity, on behalf of the Company or the board in contravention of provisions of the Articles of Association or without appropriate authorisation by the board. The director(s) shall, when acting in his/her personal capacity, state his/her standings and identities in advance if a third party has reasons to believe that the said director is acting on behalf of the Company or the board.

**Article 119** A director shall be personally liable for any loss suffered by the Company as a result of a violation by him of any laws, administrative regulations, departmental rules or the Articles of Association in the course of performing his/her duties.

## **Section 2 Independent Non-Executive Directors**

**Article 120** The Company has established a system of independent non-executive directors. Independent non-executive directors shall bear a fiduciary obligation and an obligation of diligence towards the Company and all of its shareholders. Independent non-executive directors shall, pursuant to the requirements of the relevant laws and regulations and other regulatory documents and the Articles of Association, conscientiously perform their duties and responsibilities, safeguard the Company's interests as a whole and, in particular, ensure that the lawful rights and interests of small and medium shareholders are not impaired.

Independent non-executive directors refer to directors who do not take up any position in the Company other than serving as directors and do not have any connection with the Company and its substantial shareholders (substantial shareholders refer to shareholders who individually or jointly hold more than 5% of total voting shares of the Company) that is likely to affect their independent and objective judgment in compliance with the independent requirements of the listing rules of the stock exchange where the shares of the Company are listed.

**Article 121** The Company has 5 independent non-executive directors. In any circumstance, there should be at least 3 independent non-executive directors in the board of directors and the independent non-executive directors must account for at least one third of the board members, in which shall include at least one financial or accounting professional recognized under the Listing Rules.

Independent directors shall be appointed for a term of 3 years, which is renewable upon reelection. However, the term of office of an independent director shall not exceed a total of 9 years, unless otherwise provided in relevant laws, regulations and the listing rules of the stock exchange on which the shares of the Company are listed.

**Article 122** An independent non-executive director shall meet the following basic conditions:

- (I) possessing the qualifications as a director of a company according to the laws, administrative regulations, the listing rules of the stock exchange on which the shares of the Company are listed and other related regulations;
- (II) performing duties independently, not being affected by the substantial shareholders and de facto controllers of the Company, or other entities or individuals who may be interested in the Company;
- (III) having the basic knowledge about operations of listed companies, and proficient in relevant laws, regulations and rules;
- (IV) having more than five(5) years' experience in legal, economic and financial accounting work or other work required for fulfilling duties as an independent non-executive director;
- (V) ensure that he has sufficient time and energy to effectively perform his duties and promise to abide by practical obligations and diligent due diligence;
- (VI) in compliance with the requirements regarding the qualifications for serving as independent non-executive directors under the Listing Rules.

**Article 123** The following persons shall not serve as an independent non-executive director of the Company:

- (I) the persons who are employed by the Company or its subsidiaries, or direct relatives and major social relationships thereof;
- (II) the shareholders of natural persons who directly or indirectly hold not less than 1% of the issued shares of the Company, or who are among the top ten(10) shareholders of the Company, and the direct relatives thereof;
- (III) the persons employed by corporate shareholders which directly or indirectly hold not less than 5% of the issued shares of the Company or are among the top five(5) shareholders of the Company, and the direct relatives thereof;
- (IV) the persons who provide financial, legal or consultation services to the Company or any of its subsidiaries, or direct relatives and major social relationships thereof;
- (V) the persons who fell under the category described in any of the above four(4) subclauses in the past one year;
- (VI) Other persons not required to be independent non-executive directors as required by law, the securities regulatory authorities of the places where the Company's shares are listed and other relevant regulatory agencies.

**Article 124** An independent non-executive director who fails to attend three(3) consecutive board meetings in person shall be dismissed by a resolution to be presented by the board to the shareholders' general meeting.

Save for the occurrence of the prescribed situation of Article 142 of the Articles of Association, the above circumstances or any of the situations in respect of the disqualification of a director under the Company Law, an independent non-executive director shall not be dismissed without cause prior to the expiry of his term of office. When an independent non-executive director is dismissed prior to the expiry of his term of office, the Company shall disclose the dismissal as a special discloseable matter. The dismissed independent non-executive director may make a public statement if he considers that his dismissal by the Company is unjustifiable.

**Article 125** An independent non-executive director may tender resignation prior to the expiry of his term of office. A resigning independent non-executive director shall submit to the board a written resignation report, which shall contain explanations on matters relating to his resignation or any other matters that he may consider necessary to be brought to the attention of the shareholders and creditors of the Company.

Where the resignation of an independent non-executive Director will result in the percentage of independent non-executive directors in the board of the Company falling below the prescribed minimum requirement of the Articles of Association, the resignation report of such independent non-executive director shall become effective only when his vacancy has been filled by a new independent non-executive director.

**Article 126** In order to give full play to the role of independent non-executive directors, the independent non-executive directors have the following special powers in addition to the powers conferred on the directors by the laws and the Articles of Association:

(I) major connected transactions (as determined by the standards promulgated by governing regulatory authorities from time to time) shall be approved by independent non-executive Directors before being submitted to the Board for discussion;

Independent non-executive directors may engage intermediaries to issue an independent financial advisor's report before making a judgment, the costs incurred shall be borne by the Company;

(II) proposing to the board with respect to the engagement or dismissal of accounting firms;

(III) proposing to the board with respect to the holding of extraordinary general meetings;

(IV) proposing the holding of board meetings;

(V) independently engaging external auditing and consultancy firms;

(VI) openly soliciting voting rights prior to shareholders' general meetings.

The costs incurred by the independent non-executive directors in hiring the agency agencies and other expenses required to exercise their functions and responsibilities are borne by the Company.

**Article 127** Independent non-executive directors shall, in addition to performing the above duties, issue independent opinions to the board of directors or the shareholders' general meeting on matters requiring independent non-executive directors to issue independent opinions as required by the securities regulatory authorities of the place where the shares of the Company are listed.

### **Section 3 The Board of Directors**

**Article 128** The Company shall establish a board of directors comprising 14 directors, including 7 executive directors, 2 non-executive directors and 5 independent non-executive directors, of which at least one of the independent non-executive directors is a financial professional or accountant and shall meet the requirements under the Listing Rules.

The board has one chairman.

**Article 129** Directors shall be elected at shareholders' general meeting with a term of office of three(3) years. Upon maturity of the term of office, a director shall be eligible to offer himself for re-election.

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

**Article 130** The Board shall report to the shareholders' general meeting and exercises the following powers in accordance with the laws:

- (I) to convene shareholders' general meetings and report its work to the shareholders' general meeting;
- (II) to implement the resolutions of shareholders' general meetings;
- (III) to decide on the Company's business plans and investment plans;
- (IV) to formulate the Company's plans on annual financial budgets and final accounts;
- (V) to formulate the Company's profit distribution plans and plans on making up losses;
- (VI) to formulate proposals for the increase or reduction of the registered capital of the Company and for the issue and listing of bonds or other securities;
- (VII) to formulate plans for any substantial acquisition by the Company, repurchase of the shares of the Company;

- (VIII) to formulate plans for merger, division, dissolution or change in the form of the Company;
- (IX) to decide on matters relating to the Company's external investment, acquisitions or disposal of assets, mortgage of assets, entrusted wealth management and connected transactions except for these matters decided by the shareholders' general meetings;
- (X) making decisions on the establishment of the Company's internal management bodies;
- (XI) to appoint or dismiss the Company's general manager and the secretary to the Board and, based on the nomination by the general manager, to appoint or dismiss deputy general managers, Chief Financial Officer and other senior management officer(s) (excluding the secretary to the Board) of the Company and to determine their remuneration, incentives and punishments;
- (XII) to formulate the basic management system of the Company;
- (XIII) to formulate proposals for amendment to this Articles of Association;
- (XIV) to manage information disclosure of the Company;
- (XV) to propose to the general meeting to appoint or change accounting firm in charge of the audition of the Company;
- (XVI) to listen to the work report and inspect the work of the general manager;
- (XVII) other functions and powers provided by laws, administrative regulations, departmental rules, the Articles of Association and the shareholders' general meeting.

In respect of the board of directors resolutions relating to matters specified above, except for those (VI), (VII), (VIII) and (XIII) which shall be passed by more than two-thirds of all directors, the remaining resolutions may be passed by more than half of all directors.

**Article 131** The board shall explain to the shareholders' general meeting when a registered accounting firm issues a non-standard audit opinion regarding the Company's financial report.

**Article 132** The board of the Company establishes the remuneration committee, the nomination committee, the audit committee and other board committees the board may consider necessary, each of the board committees shall be accountable to the board. All members of the board committees shall be comprised of directors and elected by the board of directors. The board shall formulate the rules of procedures of each special committees.

Each special committee is responsible to the board of directors. Under the unified leadership of the board of directors, it provides advice for the decision-making of the board of directors.



Each special committee may employ intermediary agencies to provide professional advice, and the relevant costs shall be borne by the Company.

**Article 133** The board shall formulate the Rules of Procedures of Board meetings to ensure the board to implement the resolutions approved at the general meeting, work efficiently and be scientific in decision making. The Rules of Procedure of the Board of Directors stipulate that the convening and voting procedures of the board of directors shall be annexed to the Articles of Association and shall be prepared by the board of directors and approved by the shareholders' general meeting.

**Article 134** 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 meetings, 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 135** The chairman of the board is entitled to the following powers:

- (I) to preside over shareholders' general meetings and to convene and preside over board meetings;
- (II) to supervise and check on the implementation of resolutions of the Board;
- (III) to execute the securities of the Company;
- (IV) to exercise other powers as conferred by the board.

Should the chairman of the board is unable or fails to exercise his duties or powers, a director elected by more than a half of the directors shall exercise such duties or powers.

**Article 136** Meetings of the board of directors shall be classified into the regular meetings of the board of directors and extraordinary meetings of the board of directors.

Regular meetings of the board shall be convened at least two times every year. The meetings shall be convened by the chairman of the board of directors by serving notice to all directors and supervisors ten(10) days prior to the date of meeting.

An extraordinary board meeting shall be convened at the request of the chairman, shareholders holding one-tenth or more of the voting shares of the Company, more than one-third of the directors jointly, the supervisory committee and the general manager. The chairman of the board of directors shall convene and chair the extraordinary board meeting within ten days upon receipt of such request. The notice shall be delivered at least five(5) days prior to the date of extraordinary board meetings.

In case of emergency, the board may give notice of extraordinary board meeting by telephone or in words, and the convener (chairman) shall give explanation on the meeting correspondingly.

**Article 137** Meeting of the board of directors shall be held only when more than half of the directors attend the meeting.

A director shall have one vote when voting on a resolution of the board of directors. In the case of an equality of negative votes and affirmative votes, the chairman of the board of directors shall be entitled to one additional vote.

**Article 138** Directors shall attend meetings of the board of directors in person. Where a director is unable to attend a meeting of the board of directors, he may authorize in writing another director to attend on his/her behalf. A letter of attorney shall indicate the names of the proxy, matters of entrustment, the scope of authorisation and its valid term, and shall be signed and sealed by the appointer.

The appointed director who attends the meeting shall exercise a director's duties as authorized. If a director fails to attend a meeting of the board of directors in person and fails to appoint a representative to attend the meeting, he shall be deemed to have waived his/her voting rights at the meeting.

**Article 139** The board shall keep minutes of resolutions on matters discussed at meetings. The minutes shall be signed by the directors, secretary to the board present at the meeting and the person who recorded the minutes.

The directors shall be liable for the resolutions of the Board. If a resolution of the Board violates the laws, administrative regulations or this Articles of Association, causing the company to suffer serious losses, the Directors who voted for the resolution shall be directly liable to the Company; if it can be proved that a Director who voted against the resolution expressly objected to the resolution when the resolution was voted on, such Director shall be waived from such liability.

The minutes of Board meetings shall be kept as the documents of the Company with a custody period of not less than ten(10) years.

## Section 4 Special Committees of the Board of Directors

**Article 140** The board of directors shall establish the audit committee, the remuneration committee, nomination committee and other special committees. All members of the special committees shall be directors. The audit committee must consist at least three members and all members must be non-executive directors. The majority must be independent non-executive directors, and at least one of these independent non-executive directors must possess proper professional qualification as required by Section 5.05(2) of the Listing Rules or an independent non-executive director with appropriate accounting or related financial management expertise. The chairman of the audit committee must be an independent non-executive director. Most of the members of the remuneration committee shall be independent non-executive directors. The chairman of the remuneration committee shall be an independent non-executive director. Members of the nomination committee should be dominated by independent non-executive directors. The chairman of the nomination committee must be the chairman or an independent non-executive director.

**Article 141** The main responsibilities of the Audit Committee include:

- (I) providing recommendations on engaging or changing external auditors, approving the remuneration and employment terms of the external auditor's office, handling any issues concerning the resignation or dismissal of the external auditor of the external auditor, monitoring the external auditor's independence and objectiveness and the validity of the audit procedures. The audit committee should hold discussion with the external auditors in respect of the nature and scope of the audit and related reporting responsibilities and formulate policies on the provision of non-audit services by external auditors and the implementation prior to the commencement of the auditing work;
- (II) supervising the internal audit system and its implementation of the Company;
- (III) responsible for the communication between internal auditors and external auditors;
- (IV) reviewing the Company's financial information and the disclosure thereof;
- (V) supervising the company's financial reporting system, risk management and internal control system;
- (VI) other duties stipulated in the Listing Rules.

**Article 142** The main responsibilities of the remuneration committee include:

- (I) making recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management, the establishment of a formal and transparent procedure for developing policy on such remuneration;

- (II) reviewing and approving management's compensation proposals in accordance with the company's corporate policy and objectives;
- (III) being delegated responsibility by the board of directors to determine the remuneration packages of individual executive directors and senior management officer(s); or to recommend to the board the remuneration packages of individual executive directors and senior management officer(s), including non-pecuniary benefits, pension rights and amount of compensation (including compensation for loss or termination of duties or appointments);
- (IV) making recommendations to the board on the remuneration of non-executive directors;
- (V) considering the remuneration paid by similar companies, the time and responsibilities to be paid, and the conditions of employment of other positions in the group;
- (VI) reviewing and approving compensation payable to executive directors and senior management for loss or termination of duties or appointments to ensure that the compensation is consistent with the terms of the contract; if it is not consistent with the terms of the contract, compensation must be fair and reasonable and not excessive;
- (VII) reviewing and approving the compensation arrangements for the dismissal or dismissal of directors as a result of their misconduct, to ensure that the arrangements are consistent with the terms of the contract; if they are not in accordance with the terms of the contract, the compensation must also be reasonable and appropriate; and
- (VIII) making sure that no director or any of his associates may engage in the determination of his own remuneration.

**Article 143** The main responsibilities of the nomination committee include:

- (I) reviewing the structure, size and composition of the board (including the skills, knowledge and experience) at least once a year and making recommendations on any proposed changes in conjunction with the Company's strategy to the board;
- (II) identifying competent candidates for directors and selecting and nominating the relevant person to serve as directors and to make proposals in connection therewith;
- (III) assessing the independence of independent non-executive directors;
- (IV) making recommendations to the board on the appointment or reappointment of directors and the succession planning of directors (especially the chairman and general manager).

## **Section 4 Secretary to the Board of Directors**

**Article 144** The Company shall have a secretary to the board of directors, who is a senior management officer of the Company.

**Article 145** The secretary to the Company's board of directors shall be a natural person with the requisite professional knowledge and experience, and shall be appointed by the board of directors. His/Her primary responsibilities are:

- (I) to ensure that the Company has complete organizational documents and records;
- (II) to ensure that the Company prepares and delivers the reports and documents required by the relevant authorities in accordance with the laws;
- (III) to ensure that the Company's registers of shareholders are properly established, and that persons entitled to access to the relevant records and documents are furnished with such records and documents in timely manner;
- (IV) other duties specified in laws, administrative regulations, departmental rules or this Articles of Association.

**Article 146** The directors or other senior management officer(s) of the Company may also act as the secretary to the board. The accountant(s) of the accounting firm appointed by the Company shall not act as the secretary to the board.

Provided that where the office of the secretary to the board is held concurrently by a director, and an act is required to be made by a director and the secretary to the board separately, the person who concurrently holds the offices of director and secretary to the board shall not perform the act in dual capacity.

## **CHAPTER 6 GENERAL MANAGER**

**Article 147** The Company shall have one general manager, who shall be appointed or dismissed by the board of directors. The term of office of the general manager shall be three(3) years.

**Article 148** The general manager shall be accountable to the board of directors and perform the following duties:

- (I) to be in charge of the Company's production, operation and management, to organize and implement the resolutions of the board of directors and to report his/her work to the board of directors;
- (II) to organize and implement the Company's annual plan and investment scheme;
- (III) to draft the plan for establishment of the internal management departments of the Company;

- (IV) to propose the Company's basic management system;
- (V) to formulate basic rules and regulations for the Company;
- (VI) to propose to the board of directors for the appointment or dismissal of vice general manager, chief financial officer and other senior management;
- (VII) to decide the appointment or dismissal of management members other than those required to be appointed or dismissed by the board of directors;
- (VIII) other duties granted by the Articles of Association and the board of directors.

**Article 149** The general manager may be present at the meetings of the board of directors, but shall have no voting rights if he is not a managing director.

**Article 150** The general manager shall bear the fiduciary and diligent obligations in accordance with the provisions of laws, administrative regulations and the Articles of Association in performing his/her duties.

## **CHAPTER 7 SUPERVISORY COMMITTEE**

### **Section 1 Supervisors**

**Article 151** The term of office of the supervisors shall be three(3) years and may be reappointed at the end of the term.

**Article 152** Directors and senior management officer(s) shall not concurrently serves as supervisor.

**Article 153** In the event that the terms of office of supervisors fall upon maturity whereas new members of the supervisory committee are not re-elected in time, or the resignation of any supervisor during his term of office results in the number of members of the supervisory committee falling below the statutory minimum requirement, the said supervisors shall continue to perform their duties in accordance with the laws, administrative regulations and the Articles of Association until the reelected supervisors assume their office.

**Article 154** The supervisors shall ensure the truthfulness, accuracy and completeness of the information disclosed by the Company.

**Article 155** The supervisors may attend board meetings, and deliver enquiry or suggestion regarding resolutions of the board.

**Article 156** The supervisors shall not use their connected relationship to prejudice the Company's interests and shall be liable for indemnity to any loss caused to the Company.

**Article 157** A supervisor shall carry out his supervisory duties honestly and faithfully in accordance with the laws, regulations and this Articles of Association. Supervisor who violates any laws, administrative regulations, departmental rules or the Articles of Association during the course of performing his duties and causes losses to the Company shall be liable for making compensation for any loss caused to the Company.

## **Section 2 Supervisory Committee**

**Article 158** The Company shall establish a supervisory committee.

**Article 159** The supervisory committee shall consist of five supervisors, among whom, one shall act as the chairman of the supervisory committee.

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 160** The supervisory committee shall consist of shareholder representatives and employee representatives. Appointment and dismissal of shareholder representatives shall be subject to election at the shareholders' general meeting. The percentage of employee representatives shall not be less than one-third of the numbers of the supervisory committee. The employee representatives of the supervisory committee shall be elected or dismissed by employees of the Company at the employee representatives' meeting, employee meeting or otherwise democratically.

**Article 161** Meetings of the supervisory committee include the regular meeting and the extraordinary meeting of the supervisory committee.

The supervisory committee shall meet at least once in every six months. The chairman of the supervisory committee shall convene the meeting and notify all supervisors in writing ten(10) days before the meeting.

Supervisors can propose to convene an extraordinary supervisory committee meeting. Notice of an extraordinary supervisory committee meeting shall be given to all supervisors five(5) days before the meeting.

In case of emergency, the supervisory committee may give notice of extraordinary supervisory committee meeting in words or by telephone, and the convener shall give explanation at the meeting correspondingly.

**Article 162** The chairman of the supervisory committee shall convene and chair the meeting of the supervisory committee. In the event that the chairman of the supervisory committee is unable to perform or fail to perform his duties, a supervisor who is jointly elected by more than half of the supervisors shall convene and chair the meeting of the supervisory committee.



**Article 163** The supervisory committee shall be accountable to the shareholders' general meeting and shall perform the following duties according to the laws:

- (I) to review the Company's financial condition;
- (II) to supervise the conducts of the directors and senior management officer(s) in discharge of their duties and to advise on the dismissal of any director and senior management who are in breach of laws, administrative regulations, the Articles of Association or resolutions of the shareholders' general meetings;
- (III) to demand rectification from the directors and senior management of the Company where their conducts are detrimental to the interests of the Company;
- (IV) to examine the financial information such as the financial report, business report and plans for profits distribution 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;
- (V) to propose to convene an extraordinary general meeting, and to convene and preside over the shareholders' general meeting where the board of directors fails to perform its duties to convene or preside over a shareholders' general meeting as required under the Company Law;
- (VI) to propose motions at a shareholders' general meeting;
- (VII) to deal with or take legal actions against directors and senior management officer(s) on behalf of the Company pursuant to the Company Law;
- (VIII) To conduct investigations whenever unusual conditions of operation of the Company arises and if necessary, to engage professional institutions such as accounting firms and law firms to assist in the investigations, the reasonable cost incurred are to be borne by the Company;
- (IX) other duties as stipulated by laws, administrative regulations, department rules and the Articles of Association.

**Article 164** The supervisory committee shall formulate the rules of procedure for the supervisory committee and express the discussion methods and voting procedures, to ensure the work efficiency and scientific decision-making of the supervisory committee. The Rules of Procedure of the supervisory committee stipulate that the convening and voting procedures of the supervisory committee shall be annexed to the Articles of Association and shall be prepared by the supervisory committee and approved by the shareholders' general meeting.

**Article 165** A meeting of the board of supervisors shall not be conducted unless it is attended by more than a half of the supervisors. Voting at the meeting board of supervisors shall be carried out by poll or by a show of hands and each supervisor shall have one vote. A supervisor shall attend meetings of the board of supervisors in person, or appoint in writing another supervisor to attend the meeting on his/her behalf due to his/her absence. The letter of authorization shall specify the extent of authorization.

The resolution made by the supervisory committee shall be approved by more than two-thirds of the members of the supervisory committee.

**Article 166** The discussed issues shall be recorded in the minutes of the meeting of the supervisory committee. Supervisors attending the meeting shall sign on the minutes of meetings.

Supervisors are entitled to request that an explanatory record of their comments made at the meetings be noted in the minutes. Minutes of meeting of the Supervisory Committee shall be maintained as company files for at least ten(10) years.

**Article 167** All reasonable expenses incurred in respect of the employment of professionals such as lawyers, certified public accountants or practicing auditors as required by the supervisor committee in discharging its duties shall be borne by the Company.

## **CHAPTER 8 QUALIFICATIONS AND DUTIES OF THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OFFICERS OF THE COMPANY**

**Article 168** A person may not serve as a director, supervisor or senior management officers of the Company if any of the following circumstances applies:

- (I) a person who does not have or who has limited capacity for civil acts;
- (II) a person who 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 who 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;
- (III) a person who is a former director, factory manager or general manager of a company or enterprise which has entered into insolvent liquidation and who 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;
- (IV) a person who is a former legal representative of a company or enterprise which had its business license 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 license;
- (V) a person who has a relatively large amount of debts due but unpaid;
- (VI) a person who 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;
- (VII) a person who is not eligible for enterprise leadership according to the laws and administrative regulations;

- (VIII) a non-natural person;
- (IX) a person who has been prohibited from entering the securities market by the China Securities Regulatory Commission, where such prohibition has not been removed;
- (X) a person 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;
- (XI) other provisions of the laws, administrative regulations or department rules.

Should the Company elect, appoint or hire directors, supervisors and senior management officer(s) in violation of the provisions of the preceding paragraph, such election, appointment or hiring shall be void and ineffective. In the event of any abovementioned contravention during their terms of office, such directors, supervisors and senior management officer(s) shall be dismissed by the Company.

**Article 169** The validity of an act of a director and senior management officer(s) on behalf of the Company is not, in relation to a bona fide third party, affected by any irregularity in his office, election or any defect in his qualification.

**Article 170** In addition to obligations imposed by laws, administrative regulations or required by the listing rules of the stock exchanges on which the Company's shares are listed, each of the Company's directors, supervisors and senior management officers owes a duty to each shareholder, in the exercise of the functions and powers of the Company entrusted to him:

- (I) not to cause the Company to exceed the scope of the business stipulated in its business license;
- (II) to act honestly in the best interest of the Company;
- (III) not to expropriate in any manner the Company's property, including but not limit to usurpation of opportunities advantageous to the Company;
- (IV) not to expropriate the individual rights of shareholders, including but not limited to rights to distribution and voting rights, except pursuant to restructuring of the Company submitted to shareholders for approval in accordance with the Articles of Association.

**Article 171** Each of the Company's directors, supervisors and senior management officer(s) 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 172** Each of the Company's directors, supervisors and senior management officer(s) shall carry out his duties with integrity and shall not put himself in a position where his interest and his duty may conflict. This principle includes but not limit to discharging the following obligations:

- (I) to act honestly in the best interests of the Company;
- (II) to exercise powers within the scope of his responsibilities and not to exceed those powers;
- (III) 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 laws, administrative regulations or with the informed consent of shareholders given in a shareholders' general meeting, not to delegate the exercise of his discretion;
- (IV) to treat shareholders of the same class equally and to treat shareholders of different classes fairly;
- (V) except in accordance with the Articles of Association or with the informed consent of shareholders given in shareholders' general meeting, not to enter into any contract, transaction or arrangement with the Company;
- (VI) without the informed consent of shareholders given in shareholders' general meeting, not to use the Company's property for his own benefit by any means;
- (VII) not to exploit his position to accept bribes or other illegal income or expropriate the Company's property by any means, including but not limited to opportunities advantageous to the Company;
- (VIII) without the informed consent of shareholders given in shareholders' general meeting, not to accept commissions in connection with the Company's transactions;
- (IX) to abide by the Articles of Association, faithfully execute his official duties and protect the Company's interests, and not to exploit his position and power in the Company for his own benefits;
- (X) not to compete with the Company in any form unless with the informed consent of shareholders given in shareholders' general meeting;
- (XI) not to misappropriate the Company's funds or lend the Company's funds to others, not to open any bank account in his own name or other name for the deposit of the Company's assets, and not to provide security with the Company's assets for debt of shareholders of the Company or any other individuals;

- (XII) unless otherwise permitted by informed shareholders in shareholders' 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 for 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:
- i. disclosure is made under compulsion of law;
  - ii. the interests of the public require disclosure;
  - iii. the own interests of the relevant director, supervisor and senior management officer(s) require disclosure.

**Article 173** Each director, supervisor and senior management officer(s) of the Company shall not cause the following persons or institutions ("associates") to do what he is prohibited from doing:

- (I) the spouse or minor child of that director, supervisor and senior management officer(s);
- (II) a person acting in the capacity of trustee of that director, supervisor and senior management officer(s) or any person referred to in item (1) of this Article;
- (III) a person acting in the capacity of partner of that director, supervisor and senior management officers or any person referred to in items (1) and (2) of this Article;
- (IV) a company in which that director, supervisor and senior management officer(s), alone or jointly with one or more persons referred to in items (1), (2) and (3) above or other directors, supervisors, and other senior management officer(s) of the Company have a de facto controlling interest;
- (V) the directors, supervisors and senior management officer(s) of the controlled company referred to in item (4) of this Article.

**Article 174** The fiduciary duties of the directors, supervisors and senior management officer(s) 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. The continuance of the other duties shall be determined on a fair basis 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 175** Except for circumstances prescribed in Article 60 of the Articles of Association, a director, supervisor and senior management officer(s) of the Company may be relieved of liability for specific breaches of his duty by the informed consent of shareholders given at a shareholders' general meeting.

**Article 176** Where a director, supervisor and senior management officer(s) 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 between the Company and a director, supervisor and senior management officer(s)), he shall declare the nature and extent of his interests to the board as soon as possible, whether or not the contract, transaction or arrangement or proposal is otherwise subject to the approval of the board under normal circumstances.

A director shall not vote or on behalf of other Director nor shall he be counted in the quorum on any board resolution approving any contract, transaction, arrangement or other relevant proposal in which he or any of his associates (refers to a director or senior management officer(s) who serves as a director or senior management officer(s) of the counterparty, or a legal entity that directly or indirectly controls the counterparty, or a legal entity directly or indirectly controlled by the counterparty) has a material interest.

Unless the interested director, supervisor and senior management officer(s) discloses his interests to the board of directors in accordance with the preceding paragraph of this Article and the contract, transaction or arrangement is approved by the board at a meeting in which the interested director, supervisor, and senior management is not counted in the quorum and refrains from voting, a contract, transaction or arrangement in which that director, supervisor and senior management officer(s) 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, supervisor and senior management officer(s).

A director, supervisor and senior management officer(s) of the Company shall be deemed to be interested in a contract, transaction or arrangement in which an associate or a related party of him is interested.

**Article 177** Where a director, supervisor and senior management of the Company gives to the board of directors 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 issue of entering into the relevant contract, transaction or arrangement is first taken into consideration on behalf of the Company.

**Article 178** The Company shall not in any manner pay taxes for its director, supervisor and senior management.

**Article 179** 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 and senior management of the Company or any of their respective associates.

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

- (I) the provision by the Company of a loan or a guarantee for a loan to a company which is a subsidiary of the Company;
- (II) 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 director, supervisor and senior management 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;
- (III) provided that the making of loans or providing guarantees forms part of the regular business of the Company, the Company may make a loan or provide a guarantee in connection with the making of a loan to any of the relevant director, supervisor and senior management or their respective associates on normal commercial terms.

**Article 180** A loan made by the Company in breach of the above Article shall be forthwith repayable by the recipient of the loan regardless of the terms of the loan.

**Article 181** A loan guarantee provided by the Company in breach of clause 1 of Article 179 shall be unenforceable against the Company, except in the following circumstances:

- (I) a loan advanced to an associate of any of the directors, supervisors and senior management of the Company where the lender was not aware of the situation when the loan was made;
- (II) the collateral provided by the Company has been lawfully disposed of by the lender to a bona fide purchaser.

**Article 182** 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 183** In addition to any rights and remedies provided by the laws and regulations, where a director, supervisor and senior management of the Company is in breach of his duties to the Company, the Company has a right to:

- (I) claim damages from the director, supervisor and senior management in compensation for losses sustained by the Company as a result of such breach;



- (II) rescind any contract or transaction entered into by the Company with the director, supervisor and senior management and any contract or transaction entered into by the Company with a third party, where such third party knows or should know that there is such a breach of duties by such director, supervisor and senior management;
- (III) demand the director, supervisor and senior management to surrender the profits made by him in breach of his duties;
- (IV) recover any monies received by the director, supervisor and senior management which should have been otherwise received by the Company, including (but not limited to) commissions;
- (V) demand the return of interest earned or which may be earned by such director, supervisor, and senior management on any sum which should have been received by the Company.

**Article 184** The Company shall enter into a contract in writing with each director, supervisor and senior management of the Company, which shall at least contain the following provisions:

- (I) the directors, supervisors and senior management shall undertake to the Company that they will comply with the Company Law, the Special Provisions, the Articles of Association and other rules formulated by Hong Kong Stock Exchange, and agree that the Company shall have the right to take the remedial actions provided in the Articles of Association, and that neither such contracts nor the positions of the directors, supervisors and senior management shall be transferred;
- (II) the directors, supervisors and senior management shall undertake to the Company that they will observe and fulfill their obligations to the shareholders provided in the Articles of Association; and
- (III) the arbitration clause provided under Article 232 of the Articles of Association.

**Article 185** 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:

- (I) emoluments in respect of his service as director, supervisor or senior management of the Company;
- (II) emoluments in respect of his service as director, supervisor or senior management of any subsidiary of the Company;
- (III) emoluments in respect of the provision of other services in connection with the management of the affairs of the Company and any of its subsidiaries;
- (IV) 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 186** 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:

- (I) a takeover offer made by any person to all shareholders;
- (II) an offer made by any person with a view to becoming a controlling shareholder within the meaning of Article 61 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 9 FINANCIAL AND ACCOUNTING SYSTEM AND PROFIT DISTRIBUTION**

**Article 187** The Company shall establish its financial and accounting system in accordance with the laws, administrative regulations and the requirement of relevant regulatory departments of the PRC. At the end of each fiscal year, the Company shall prepare a financial report which shall be audited and verified in compliance with the laws.

**Article 188** The board shall place before the shareholders at every shareholders' general meeting such financial reports as required by the laws, administrative regulations or directives promulgated by competent regional and central governmental authorities to be prepared by the Company.

**Article 189** The Company's financial reports shall be made available for shareholders' inspection at the Company twenty(20) days before the date of every annual shareholders' general meeting. Each shareholder shall be entitled to obtain a copy of the financial reports referred to in this chapter.

Unless otherwise specified in the Articles of Association, the Company shall deliver or send to each shareholder of overseas listed Shares by prepaid mail at the address registered in the register of shareholders the financial report, together with the balance sheet (including every document to be attached to the balance sheet as required by the law) and income statement or the statement of income and expenditure or financial summary report not later than twenty-one(21) days before the date of every annual shareholders' general meeting.

**Article 190** The financial statements of the Company shall, in addition to being prepared in accordance with the PRC Accounting Standards for Business Enterprises and regulations, be prepared in accordance with either international accounting standards, or those of the place outside China where the shares of the Company are listed. If there is any material difference between the financial statements prepared in accordance with the two accounting standards, such difference shall be stated in the notes to the financial statements. When the Company is to distribute its after-tax profits for relevant accounting years, the lower of the after-tax profits as shown in the two financial statements shall be adopted.

**Article 191** Any interim results or financial information published or disclosed by the Company shall be prepared in accordance with the PRC Accounting Standards for Business Enterprises and regulations, and also in accordance with either international accounting standards or those overseas places where the shares of the Company are listed.

**Article 192** The Company shall disclose two financial reports in each accounting year, i.e., its interim financial reports within sixty(60) days of the end of the first six months of an accounting year and its annual financial reports within one hundred and twenty(120) days after the end of the accounting year.

**Article 193** The Company shall not establish account books other than the statutory account books. The assets of the Company shall not be deposited in any personal account.

**Article 194** The Company is required to allocate 10% of its profits into its statutory reserve fund of the Company before distributing each year's after-tax profits. When the cumulated amount of the statutory reserve fund of the Company has reached 50% or more of its registered capital, no further allocations is required.

Where the Company's statutory surplus 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 surplus reserve fund in accordance with the preceding paragraph.

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

After making up of losses and appropriation to reserve funds, balance of the profit after tax shall be distributed to shareholders in proportion to their shareholdings.

If a general meeting or the Board violates the provisions in the preceding paragraph of this Article and profits are distributed to the shareholders before the Company makes up losses or makes allocations to the statutory reserve fund, shareholders shall return the profits distributed in violation of the provisions to the Company.

No profit shall be distributed in respect of the shares of the Company which are held by the Company.

**Article 195** Capital reserve fund includes the following items:

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

**Article 196** Reserve funds of the Company are used for recovering losses of the Company and expanding scale of operation of the Company or transfer them to its capital, but capital reserve fund shall not be used in this manner.

In the event that that Company transfers the reserve funds to its capital, the remaining balance of such reserve fund must not be less than 25% of the registered capital before this capitalization.

**Article 197** The Company may distribute dividends in the following manners:

- (I) in cash;
- (II) by shares.

**Article 198** Any amount paid up by shareholders in advance of calls by them on any shares may carry interest but the holder of such shares shall not be entitled to participate in respect thereof in a dividend subsequently declared.

**Article 199** The Company shall appoint receiving agents on behalf of the holders of overseas listed shares to receive on behalf of such shareholders dividends declared and 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 shares listed in Hong Kong by the Company shall be a company registered as a trust company under the Trustee Ordinance of Hong Kong.

Subject to the relevant laws and regulations in China and requirements of the Hong Kong Stock Exchange, the Company may exercise its right to confiscate any unclaimed dividends, provided that such right may only be exercised after the expiry of the relevant time frame.

The Company shall have the right to terminate the issue of dividend coupons to holders of overseas listed shares by post if the dividend coupons have not been claimed for two consecutive times. Nevertheless, the Company may exercise such right if the first dividend coupon has failed to reach the shareholder and has been returned.

When exercising the power to issue share warrants to the bearers, the Company shall not issue any new share warrant to replace the original warrant that has been lost unless the Company is satisfied beyond reasonable doubt that the original one has been destroyed.

The Company may sell the shares held by a holder of overseas listed shares who is untraceable in such ways as the board of directors thinks fit, provided that the following conditions shall be complied with:

- (i) at least three dividends have been distributed in respect of such shares during the period of twelve(12) years, and no dividend has been claimed by the shareholder during that period; and
- (ii) after the expiry of the twelve-year period, the Company shall make an announcement in one or more newspapers at the place where the shares of the Company are listed stating the Company's intention to sell the shares, and notify the stock exchange on which the shares of the Company are listed.

## **CHAPTER 10 APPOINTMENT OF ACCOUNTING FIRM**

**Article 200** 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 accounting firm of the Company may be appointed by the inaugural meeting of the Company before the first annual shareholders' general meeting and the accounting firm so appointed shall hold office until the conclusion of the first annual shareholders' general meeting.

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

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

**Article 201** The accounting firm appointed by the Company shall have the following rights:

- (I) a right to inspect at any time the books, records and vouchers of the Company, and to require the directors or senior management officers of the Company to provide any relevant information and explanation thereof;
- (II) a right to require the Company to take all reasonable steps to obtain from its subsidiaries such information and explanation as necessary for the performance of duties of such accounting firm;
- (III) a right to attend shareholders' general meetings and receive all notices or other information about any shareholders' general meeting which any shareholder is entitled to, and speak at any shareholders' general meeting in relation to matters concerning its role as the accounting firm of the Company.

- Article 202** If there is a vacancy of the office of the accounting firm, the board may fill up the vacancy by appointing an accounting firm before convening the shareholders' meeting. But during period when the vacancy subsists, if the Company has other accounting firm in office, such firm can continue to carry out the relevant duty.
- Article 203** The shareholders at a shareholders' general meeting may, by ordinary resolution, remove an accounting firm before the expiration of its office, notwithstanding the stipulations in the contract between the accounting firm and the Company, but without prejudice to the accounting firm's right to claim, if any, for damages in respect of such removal.
- Article 204** The remuneration of an accounting firm or the manner in which such firm is to be remunerated shall be determined in shareholders' general meeting. The remuneration of an accounting firm appointed by the board shall be determined by the board.
- Article 205** The Company's appointment, removal and non-reappointment of an accounting firm shall be resolved in shareholders' general meeting. The resolution of the shareholders' general meeting shall be filed with the securities regulatory authority of the State Council.

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

- (I) A copy of the proposal about appointment or removal shall be sent to the accounting firm proposed to be appointed or proposed to leave its post or the accounting firm which has left its post in the relevant fiscal year before notice of meeting is given to the shareholders.

Leaving includes leaving by dismissal, resignation and retirement.

- (II) 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:
- i. in any notice given to shareholders about a resolution to be made, state the representations that has been made by the accounting firm which is about to leave;
  - ii. attach a copy of the representations to the notice and deliver it to the shareholders in the manner stipulated in the Articles of Association.
- (III) If the accounting firm's representations are not sent in accordance with item (II) above, the relevant accounting firm may require that the representations be read out at the shareholders' general meeting and may lodge further representations.

- (IV) An accounting firm which is leaving its post shall be entitled to attend:
- i. the shareholders' general meeting at which its term of office expires;
  - ii. any shareholders' general meeting at which it is proposed to fill the vacancy caused by its removal;
  - iii. any shareholders' general meeting convened on its resignation.

The accounting firm which is leaving its post shall be entitled to receive all notices of or other information relating to any such meetings, and to speak at any such meetings in relation to matters concerning its role as the former accounting firm of the Company.

**Article 206** Prior to the removal or the non-renewal of the appointment of an accounting firm by the Company, notice of such removal or non-renewal shall be given to the accounting firm concerned and such firm shall be entitled to make representation at the shareholders' general meeting. Where the accounting 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.

- (I) Any accounting firm may resign from its office by depositing at the Company's legal residence 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 the following:
- i. 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
  - ii. a statement of any matters of which an account should be given.
- (II) 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 item (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 shares by prepaid post, and it shall be sent to their addresses recorded in the register of shareholders.
- (III) Where the notice of resignation of an accounting firm contains a statement giving an account of any matters, the accounting firm may require the board to convene an extraordinary shareholders' general meeting for the purpose of giving an explanation of the circumstances connected with its resignation.



## CHAPTER 11 NOTICE AND ANNOUNCEMENT

**Article 207** A notice of the Company shall be sent by:

- (I) hand;
- (II) post;
- (III) email, facsimile or other electronic means or information carrier;
- (IV) announcement;
- (V) other means stated in the Articles of Association or recognized by regulatory authorities of the place where the shares of the Company are listed.

**Article 208** The “Announcement” referred to in the Articles of Association shall, unless the context otherwise requires, refer to an announcement issued to Domestic Shareholders and for the announcement to be issued in China in accordance with the relevant requirements and the Articles of Association, refer to an announcement published in Chinese newspapers and periodicals, the relevant newspapers and periodicals shall be prescribed by Chinese laws and administrative regulations or by the securities regulatory agency of the State Council; in respect of the announcements issued to holders of overseas listed shares or for the announcement to be issued in Hong Kong in accordance with the relevant requirements and the Articles of Association, the announcement shall be published on the website of the Company, the website of the Hong Kong Stock Exchange and other websites as required by the Listing Rules from time to time as required by the Listing Rules. In addition, unless otherwise specified in the Articles of Association, the notice shall be delivered to each of the registered addresses as set forth in the register of holders of overseas listed shares by way of personal delivery or pre-paid mail so as to give the shareholders sufficient notice and time to exercise their rights or take any action in accordance with the terms of the notice.

Holders of the Company’s overseas listed shares may elect in writing to receive corporate communication that the Company is required to deliver to shareholders either by electronic means or by post, and may also elect to receive either the Chinese or English version only, or both the Chinese and English versions. Such holders shall have the right to change their choices as to the manner of receiving and the language versions of the abovementioned information by giving a written notice to the Company in advance within a reasonable period in accordance with applicable procedures.

**Article 209** A notice of the company’s general meeting of shareholders shall be given by way of an announcement or written notice to the shareholders.

**Article 210** A notice of the board’s meeting shall be dispatched by hand, fax, email, or other methods prescribed by the rules of procedure of the board of directors.

- Article 211** A notice of the supervisor committee meeting shall be dispatched by hand, fax, email, or other methods prescribed by the rules of procedure of the supervisor committee.
- Article 212** For a notice of the Company delivered by hand, the addressee shall sign (or stamp) on the receipt of the delivery, and the date of acknowledgement of receipt signed by the addressee shall be deemed as the date of delivery; where a notice of the Company is sent by post, the fifth working day upon being turned over to post office shall be deemed as the date of delivery; where a notice of the Company is made via fax or email or website, the date on which the notice is made shall be deemed as the date of delivery; where a notice of the Company is made via announcement, the date on which the announcement is published for the first time shall be deemed as the date of delivery.
- Article 213** 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.

## **CHAPTER 12 MERGER, DIVISION, DISSOLUTION AND LIQUIDATION**

### **Section 1 Merger and Division**

- Article 214** The merger or division of the Company shall be proposed by the board of directors, and upon approval in accordance with the procedures provided in the Articles of Association, it shall go through relevant examination and approval formalities according to the laws. A shareholder objecting to merger or division of the Company may require the Company or the shareholders who are in favor of such merger or division to acquire his/her shares at a fair price. A special document about the content of the resolution on merger or division of the Company shall be made for inspection by the shareholders.

The abovementioned document shall also be dispatched to holders of overseas listed shares by mail or the methods allowed by the relevant laws, regulations or listing rules for listed stock exchanges.

- Article 215** Merger of the Company may take the form of absorption or establishment of a new company.

Absorption means that a company absorbs another company and the absorbed company will be dissolved. Where two or more companies merge into a new company, the original companies will be dissolved.

- Article 216** In the event of a merger, the merging parties shall execute a merger agreement and prepare a balance sheet and an inventory of assets. The Company shall notify its creditors within ten(10) days from the date of the Company's merger resolution and shall publish an announcement in newspapers or by other means within thirty(30) days from the date of the Company's merger resolution. A creditor has the rights, within thirty(30) days of receiving such notice from the Company or, for creditors who do not receive the notice, within forty-five(45) days from the date of the public notice, to demand the Company to settle its debts or provide a guarantee for such debt.

Upon the merger of the Company, claims and debts of each of the merged parties shall be assumed by the company which survives the merger or the newly established company.

**Article 217** When the Company is divided, its assets shall be split up accordingly.

In the event of a division, the Company shall prepare a balance sheet and an inventory of assets. The Company shall notify its creditors within ten(10) days from the date of the Company's resolution to divide and shall publish an announcement in newspapers or by other means within thirty(30) days from the date the Company made a resolution to divide.

Debts of the Company prior to division shall be jointly assumed by the companies which exist after the division, except provided otherwise in the written agreement between the Company and the creditors relating to the settlement of debt before the division.

**Article 218** Changes in particulars of the companies as a result of merger or division must be registered with the registration authorities in accordance with the laws. Dissolution of a company shall be registered in accordance with the laws when a company is dissolved. Incorporation of a company shall be registered when a new company is incorporated in accordance with the laws.

## **Section 2 Dissolution and Liquidation**

**Article 219** The Company shall be dissolved in event of any of the following conditions:

- (I) the term of its operations set out in the Articles of Association has expired or other events of dissolution specified in the Articles of Association have occurred;
- (II) a resolution on dissolution is passed at shareholders' general meeting;
- (III) dissolution is necessary due to a merger or division;
- (IV) the Company's business license is revoked, the Company is ordered to close down or de-registered in accordance with the laws;
- (V) shareholders holding more than 10% of the voting rights of all shareholders may request the People's Court to dissolve the Company on the basis that there are serious difficulties in operation and management of the Company and its continued existence will be harmful to the interest of the shareholders and that such cannot be avoided by any other means;
- (VI) the Company is legally declared to be bankrupt due to its failure to repay debts due.

**Article 220** Upon the occurrence of the situation described in item (I) of the previous Article hereof, the Company may continue to exist by amending the Articles of Association.

Amendments to the Articles of Association pursuant to the preceding paragraph shall be subject to the approval of more than two-thirds of the voting rights held by the shareholders present at the shareholders' general meeting.

**Article 221** Where the Company is dissolved in accordance with items (I), (II), (IV) and (V) of Article 219 hereof, a liquidation committee shall be established to commence liquidation within fifteen(15) days from the date of occurrence of events giving rise to dissolution. The members of the liquidation committee shall be determined by the directors or the shareholders' general meeting. In case no liquidation committee is established within the specified period to commence liquidation, the creditors may apply to the People's Court to designate relevant persons to form a liquidation committee and commence liquidation.

Where the Company is dissolved under item (VI) of Article 219, the People's Court shall, according to the relevant laws, organise the shareholders, relevant authorities and relevant professionals to form the Liquidation Committee to proceed with the liquidation procedures.

**Article 222** If the board of directors decides that the Company shall be liquidated (except for such liquidation as a result of the Company's declared bankruptcy), the notice of the shareholders' general meeting convened for such purpose shall include a statement to the effect that the board of directors has made full inquiry into the position of the Company and that the board of directors is of the opinion that the Company can pay off its debts in full within twelve(12) months after the liquidation has commenced.

Upon passing of the resolution to liquidate the Company at the shareholders' general meeting, the functions and powers of the board of directors shall cease immediately.

The liquidation team shall take instructions from the shareholders' general meeting and shall report to the shareholders' general meeting on the liquidation team's income and expenditure, the business of the Company and the progress of the liquidation at least once per year. It shall make a final report to the shareholders' general meeting upon the completion of such liquidation.

**Article 223** The liquidation team shall exercise the following functions and power during the period of liquidation:

- (I) liquidating the properties of the Company, and preparing the balance sheets and inventory of assets separately;
- (II) informing creditors by a notice or public announcement;
- (III) disposing of and liquidating the unfinished businesses of the Company;
- (IV) clearing off the outstanding taxes and the taxes incurred from the process of liquidation;

- (V) clearing off credits and debts;
- (VI) disposing of the residual properties after settling such debt;
- (VII) participating in the civil litigation on behalf of the Company.

**Article 224** The liquidation team shall, within ten(10) days of its formation, notify the creditors, and shall, within sixty(60) days, make a public announcement on newspaper or by other means. Creditors shall, within thirty(30) days of the receipt of the notice or within forty-five(45) days of the release of the public announcement in the case of failure to receive said notice, file their creditors' rights with the liquidation team.

Where creditors file their creditors' rights, they shall explain about the matters related to creditors' rights, and shall provide the evidentiary materials. The liquidation team shall register the creditors' rights.

The liquidation team may not clear off any of the debts of any creditors during the period of filing creditors' rights.

**Article 225** After the liquidation team has liquidated the assets of the Company and has prepared the balance sheets and inventory of assets, it shall prepare a plan of liquidation, and report it to the shareholders' general meeting or the People's Court for confirmation. The remaining assets after paying off the liquidation expenses, wages of employees, social insurance premiums and statutory compensation, the outstanding taxes and the debts of the Company may be distributed in proportion to shareholders.

During the period of liquidation, the Company continues to exist but may not carry out any business operation that is not related to liquidation.

Before the settlement of repayments as provided in the preceding article has been made, the Company's properties shall not be distributed to shareholders.

**Article 226** In the event of the Company's liquidation owing to dissolution, should the liquidation team find that the properties of the Company is insufficient for clearing off the debts after liquidating the properties of the Company and preparing the balance sheets and inventory of assets, it shall apply to the People's Court to declare the Company's bankruptcy pursuant to laws.

Once the People's Court declares the bankruptcy of the Company, the liquidation team shall hand over the liquidation matters to the People's Court.

**Article 227** Following the completion of the liquidation of the Company, the liquidation committee shall prepare a liquidation report, an income and expenditure statement and financial accounts in respect of the liquidation period and, after verification thereof by a certified public accountant in China, such committee shall submit the same to the shareholders' general meeting or the People's Court for confirmation.

And within thirty(30) days from the date of said confirmation made by the shareholders' general meeting or the People's Court, the Company shall submit the same to the company registration authority to apply for de-registration of the Company, and to announce that the Company is terminated.

**Article 228** The members of the liquidation team shall devote themselves to their duties and fulfill their obligations of liquidation according to laws.

None of the members of the liquidation team may take any bribe or any other illegal proceeds by taking advantage of his/her position, nor may he/she misappropriate any of the properties of the Company.

Where any members of the liquidation team cause any loss to the Company or any creditor with intention or due to gross negligence, he/she shall be liable to make compensation.

### **CHAPTER 13 PROCEDURES FOR AMENDMENT TO THE ARTICLES OF ASSOCIATION**

**Article 229** The Company may, pursuant to the requirements of the laws, administrative regulations and the Articles of Association, amend the Articles of Association.

The Company shall amend the Articles of Association under any of the following circumstances:

- (I) any of the Articles of Association are in conflict with the revised Company Law, or the relevant laws or administrative regulations;
- (II) there are changes in the conditions of the Company thereby making them inconsistent with the matters set out in the Articles of Association;
- (III) the general meeting has resolved to amend the Articles of Association.

**Article 230** Amendments to this Articles of Association approved by the shareholders' meeting involving anything set out in the Mandatory Provisions shall become effective upon approval by the company approval department authorized by the State Council and the securities regulatory authority of the State Council. If there is any change relating to the registered particulars of the Company, application shall be made for the changes in accordance with the laws.

**Article 231** The board of directors shall amend the Articles of Association in accordance with the resolutions of the general meeting and the approval of the competent authority.

## CHAPTER 14 SETTLEMENT OF DISPUTES

**Article 232** Unless otherwise provided by this Articles of Association, the Company shall act according to the following principles to settle disputes:

- (I) Whenever any disputes or claims arise between holders of the overseas listed shares and the Company, between holders of the overseas-listed shares and the Company's directors, supervisors or other senior management officers, or between holders of the overseas-listed shares and holders of domestic shares, based on the Articles of Association or any rights or obligations conferred or imposed by the Company Law and 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 in the preceding paragraph 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 or other senior management officers 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 the register of shareholders need not be referred to arbitration.

- (II) A claimant may elect 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 arbitration at the 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.

- (III) If any disputes or claims of rights prescribed in item (I) above are referred to arbitration, the laws of the People's Republic of China shall apply, save as otherwise provided in laws and administrative regulations.
- (IV) The decision of an arbitration body shall be final and conclusive and binding on all parties.



## CHAPTER 15 SUPPLEMENTARY PROVISIONS

- Article 233** The meaning of accounting firms referred in this Articles of Association is the same as the “auditor” referred in the Listing Rules.
- Article 234** This Articles of Association is written in Chinese. In case of any discrepancies among the various versions in different languages, the latest Chinese version approved by and registered with the competent company registration authority shall prevail.
- Article 235** The figure itself shall be included if this Articles of Association refer to any such words as “above” or “previous”; the figure itself shall not be included if this Articles of Association refer to any such words as “exceeding” “lower than”, “over a half”, “less than” or “no more than”.
- Article 236** In case of any contradiction of anything not covered in this Articles of Association with any laws, administrative regulations, other relevant normative documents and listing rules of the stock exchange(s) in which the shares of the Company are listed, those laws, administrative regulations, other relevant normative documents and listing rules of the place(s) in which the shares of the Company are listed shall prevail.
- Article 237** The Articles of Association are subject to interpretation by the board of the Company.
- Article 238** The appendices of this Articles of Association include rules of procedure of the general meeting, the board and the supervisory committee.