

**JL MAG RARE-EARTH CO., LTD.**  
**Articles of Association**

November 2023

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# **JL MAG RARE-EARTH CO., LTD.**

## **Articles of Association**

### **CHAPTER 1 GENERAL PROVISIONS**

**Article 1** These Articles of Association are formulated, subject to approval from the shareholders' general meeting in accordance with the Company Law of the People's Republic of China (hereafter referred to as the "Company Law"), the Securities Law of the People's Republic of China (hereafter referred to as the "Securities Law"), and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (hereafter referred to as the "Hong Kong Listing Rules") and other relevant provisions for the purposes of safeguarding the legitimate rights and interests of JL MAG RARE-EARTH CO., LTD. (hereafter referred to as the "Company"), its shareholders and creditors as well as regulating the organization and activities of the Company.

**Article 2** The Company was incorporated as a joint stock limited company in accordance with the Company Law, and other relevant PRC laws, administrative regulations.

The Company was a joint stock limited company established through the generally converting JL MAG RARE-EARTH CO., LTD. (江西金力永磁科技股份有限公司). It was initiated and established by Jiangxi Ruide Venture Investment Co., Ltd. (江西瑞德創業投資有限公司), Goldwind Investment Holding Co., Ltd. (金風投資控股有限公司), Ganzhou Rare Earth Group Co., Ltd. (贛州稀土集團有限公司), and Xinjiang Qianshi Equity Investment Management Limited Partnership (新疆虔石股權投資管理有限合夥企業), and obtained its business license after it had been registered with Ganzhou City Administration for Industry and Commerce on June 26, 2015. The unified social credit code is 913607006779749909.

**Article 3** On August 23, 2018, pursuant to the approval by China Securities Regulatory Commission (hereinafter referred as to "CSRC"), the Company issued 41,600,000 RMB-denominated ordinary shares for initial public offering. The shares were listed on the ChiNext Market of the Shenzhen Stock Exchange on September 21, 2018.

On November 23, 2021, pursuant to the approval by CSRC, the Company issued 125,466,000 ordinary shares in Hong Kong, which were listed on The Stock Exchange of Hong Kong Limited (hereinafter referred to as the "Hong Kong Stock Exchange") on January 14, 2022.

**Article 4** Chinese registered name of the Company: 江西金力永磁科技股份有限公司.

English registered name of the Company: JL MAG RARE-EARTH CO., LTD.

**Article 5** Company address: Ganzhou Economic and Technological Development Zone Industrial Park, Jiangxi Province. Postal Code: 341000. Tel: 0797-8068059; Fax: 0797-8068000.

**Article 6** The registered capital of the Company is RMB1,342,540,451.

**Article 7** The Company is a joint stock limited company with perpetual existence.

**Article 8** The legal representative of the Company is the chairman of the Board of Directors.

**Article 9** Total assets of the Company are divided into shares with same par value per share. The liability of a shareholder of the Company shall be limited to the shares subscribed by that shareholder, and the Company shall hold liable for its debt with all of its assets.

**Article 10** Within the scope permitted by laws and regulations, the Company may invest in other companies with limited liability and joint stock limited companies, and the liabilities of the Company shall be limited to the amount of capital contribution made. Except as otherwise provided by law, the Company shall not become a contributor that is jointly and severally liable for the debts of the invested enterprise.

**Article 11** These Articles of Association shall be effective on the date of consideration and approval at the shareholders' general meeting of the Company. From the effective date of these Articles of Association, the original Articles of Association of the Company shall become invalid automatically.

From the date upon which the Company's Articles of Association come into effect, these Articles of Association shall constitute a legally binding document regulating the Company's organization and activities, as well as the rights and obligations between the Company and its shareholders and between the shareholders. From the date upon which these Articles of Association come into effect, they are legally binding upon the Company and its shareholders, directors, supervisors and senior management officers. The aforementioned persons shall be entitled to claim their rights regarding matters related to the Company in accordance with these Articles of Association. Pursuant to these Articles of Association, a shareholder may take a legal action against other shareholders; a shareholder may take a legal action against directors, supervisors, and senior management officers of the Company; a shareholder may take a legal action against the Company; the Company may take a legal action against the shareholders, directors, supervisors, general manager and other senior management.

**Article 12** The "senior management officers" referred to in these Articles of Association includes the Company's general manager, deputy general manager, person in charge of finance, secretary to the Board of Directors and other senior management personnel as determined by the Board of Directors.

## **CHAPTER 2 BUSINESS OBJECTIVES AND BUSINESS SCOPE**

**Article 13** The business objectives of the Company are: to focus on the fine and further processing of rare earths and the components industry, integrate the advantages of the industrial chain, promote the Company's sustainable and healthy development, create value for customers, realize returns for shareholders, seek well-being for employees, and assume responsibility for society.

**Article 14** Approved by the registration authority with which the Company registered, the business scope of the Company: R&D and production of various magnetic materials and related magnetic components; domestic general trading; self-operation and agency services for the import and export of various commodities and technologies and consulting services for the import and export business (except for goods subject to state trading management).

## CHAPTER 3 SHARES

### Section 1 Share Issuance

**Article 15** The stocks of the Company shall take the form of shares.

**Article 16** The Company shall issue shares under the principles of openness, fairness and equality and shares of the same class shall carry same rights.

The issuance conditions and price per share of the same class in the same issuance shall be the same; the same price shall be paid for each share subscribed for by any entities or individuals.

**Article 17** All the shares issued by the Company have a par value denominated in RMB which shall be RMB1 for each share.

**Article 18** The Company may, after fulfilling the registration or filing procedures with CSRC in accordance with the law, issue shares to domestic and overseas investors.

For the purpose of the preceding paragraph, the term “overseas investors” shall refer to investors from foreign countries or Hong Kong, Macao or Taiwan that subscribe for shares issued by the Company. The term “domestic investors” shall refer to investors inside the People’s Republic of China, excluding the above-mentioned regions, that subscribe for shares issued by the Company.

**Article 19** The shares issued by the Company to domestic investors for subscription in RMB shall be referred to as domestic shares. Domestic shares listed in the PRC are referred to as domestically listed domestic shares (“A shares”). The shares issued by the Company to overseas investors for subscription in foreign currency shall be referred to as Foreign Shares. Foreign Shares listed overseas shall be referred to as “overseas-listed foreign shares”.

“Foreign currencies” referred to in the previous paragraph means the legal currencies of countries or districts outside the PRC which are recognized by the foreign exchange authority of the State and which can be used to make the share price to the Company.

Overseas-listed foreign shares issued by the Company and listed on the Hong Kong Stock Exchange (hereinafter referred to as “H shares”) are shares which have been admitted for listing on the Hong Kong Stock Exchange, the par value of which is denominated in Renminbi and which are subscribed for and traded in Hong Kong dollars.

Shareholders of domestic shares and shareholders of foreign shares are both ordinary shareholders and shall have the same rights and bear the same obligations.

**Article 20** The A shares issued by the Company shall be kept at the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited. H shares issued by the Company shall primarily be put under custody of the Company authorized by the Hong Kong Securities Clearing Company Limited.

**Article 21** The Company was established as a joint stock company through generally converting JL MAG RARE-EARTH CO., LTD. and issued 150,000,000 ordinary shares to the promoters upon the change of the Company's establishment, representing 100% of the total number of ordinary shares issued. The shares of the Company were all subscribed by the promoters, and each promoter subscribed for the shares of the Company with the net assets corresponding to its respective equity interests in JL MAG RARE-EARTH CO., LTD..

The Company's promoters' names, the number and percentage of shares subscribed for are as follows:

Name of promoters	Subscriptions (ten thousand shares)	Form of capital contributions	Contribution ratio %	Contribution period
Jiangxi Ruide Venture Investment Co., Ltd.	7,560	Shares converted from net assets	50.4%	June 24, 2015
Goldwind Investment Holding Co., Ltd.	4,590	Shares converted from net assets	30.6%	June 24, 2015
Ganzhou Rare Earth Group Co., Ltd.	1,350	Shares converted from net assets	9%	June 24, 2015
Xinjiang Qianshi Equity Investment Management Limited Partnership	1,500	Shares converted from net assets	10%	June 24, 2015
<b>Total</b>	<b>15,000</b>		<b>100.0%</b>	

**Article 22** The total number of shares of the Company is 1,342,540,451, all of which are ordinary shares, including 1,141,794,851 shares, held by shareholders of A shares, accounting for approximately 85.05% of the total share capital of the Company; 200,745,600 shares held by shareholders of H shares, accounting for approximately 14.95% of the total share capital of the Company.

## **Section 2 Increase, Decrease and Repurchase of Shares**

**Article 23** The Company may, in line with the needs of its operation and development, as well as the requirements of laws and regulations, and by separate resolutions of the shareholders' general meeting, increase its capital by the following means:

- (I) Public issue of shares;
- (II) Non-public issue of shares;
- (III) Placing of new shares to existing shareholders;
- (IV) Bonus issue of shares to existing shareholders;
- (V) Transfer of capital reserve into share capital;

- (VI) Other means approved by laws, administrative regulations and relevant regulatory authorities such as the securities regulatory authority under the State Council and the regulatory authority where the shares of the Company are listed.

The issuance of new shares by the Company shall be carried out in accordance with the procedures stipulated in the relevant national laws, administrative regulations, departmental regulations, the listing rules of the place where the Company's shares are listed, and the provisions of the Articles of Association.

**Article 24** The Company may reduce its registered capital. The Company shall reduce its registered capital in accordance with the Company Law and other relevant regulations as well as the procedures set forth in the Articles of Association.

**Article 25** The Company may acquire its shares in accordance with the laws, administrative regulations, departmental rules and regulations, the listing rules of the place where the Company's shares are listed and the provisions of the Articles of Association in the following circumstances:

- (I) Reduction of the registered capital of the Company;
- (II) Merging with other companies holding the shares of the Company;
- (III) Use of shares for employee shareholding plan or equity incentive;
- (IV) Shareholders requesting the Company to acquire their shares because they disagree on the resolution on the merger or dissolution of the Company passed at the shareholders' general meeting;
- (V) Use of shares for the conversion of corporate bonds issued by the listed company that are convertible into shares;
- (VI) Necessary to safeguard the value of the Company and the interests of the shareholders;
- (VII) Other circumstances permitted by laws and administrative regulations.

The Company shall not acquire its shares except in the circumstances described above.

**Article 26** Where the Company acquires its shares under the circumstances set forth in Clause (I) and (II) of Article 25 of the Articles of Association, a resolution shall be passed at a shareholders' general meeting. Where the Company acquires its shares under the circumstances set forth in Clause (III), (V) and (VI) of Article 25 of the Articles of Association, a resolution shall be passed at a meeting of the Board of Directors attended by two-thirds or more of the Directors. After the Company acquires its shares in accordance with the provisions of Article 25, the Company shall cancel the shares within 10 days from the date of acquisition in the case of Clause (I); transfer or cancel the shares within 6 months in the case of Clause (II) and (IV); transfer or cancel the shares within three years in the case of Clause (III), (V) and (VI) and the total number of shares held by the Company shall not exceed 10% of the total number of issued shares of the Company.



Where the laws and regulations of the place where the Company's shares are listed or the listing rules of the stock exchange provide otherwise in respect of the above, such provisions shall apply.

**Article 27** The Company may acquire its shares through public centralized trading, or by other means approved by laws and regulations, the CSRC and the securities regulatory authority where the Company's shares are listed.

Where the Company acquires its shares under the circumstances set forth in clauses (III), (V) and (VI) of Article 25 of the Articles of Association, it shall do so through public centralized trading.

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

**Article 28** The shares of the Company could be transferred in accordance with the law.

**Article 29** All H shares which have been fully paid up are freely transferable according to the Articles of Association; provided, unless such transfer complies with the following requirements, the Board of Directors may refuse to acknowledge any instrument of transfer and will not need to provide any reason therefor:

- (I) Instrument of transfer and other documents relating to or affecting the title to any H shares shall be registered, and the expense for registration shall be paid to the Company in an amount as stipulated in the Hong Kong Listing Rules, and the expense shall not exceed the maximum expense as required in the Hong Kong Listing Rules from time to time;
- (II) The transfer instrument involves only the H shares;
- (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 of Directors showing that the transferor has the rights to transfer such shares shall be provided;
- (V) If the shares are proposed to be transferred to joint holders, the number of such joint shareholders shall not be more than four;
- (VI) The relevant shares are free of any lien in favor of the Company.

If the Board of Directors refuses to register the transfer of shares, the Company shall serve a certificate of refusal of such transfer of shares to the transferor and the transferee within two months from the date when the formal application of such transfer is submitted.



**Article 30** All H shares shall be transferred by an instrument in writing in any usual or common form or any other form which the Board of Directors accepts (including the prescribed form or transfer form as required by the Hong Kong Stock Exchange from time to time). The instrument of transfer may only be executed by hand or (if the transferor or the transferee is a company) affixed with the Company's effective seal. If the transferor or the transferee is a recognized clearing house ("Recognized Clearing House") as defined by the relevant regulations of the laws of Hong Kong in effect from time to time or the agent thereof, and the instrument of transfer may be executed by hand or by machine imprinted signatures.

All transfer instruments shall be kept at the legal address of the Company or any address specified by the Board of Directors from time to time.

**Article 31** The Company shall not accept its shares being held as security under a pledge.

**Article 32** Shares held by the promoters in the Company shall not be transferred within one year from the date of incorporation of the Company. Shares issued by the Company before the A share offering shall not be transferred within one year from the date on which the A shares of the Company are listed on a stock exchange.

Directors, supervisors and senior management of the Company shall report their shareholdings in the Company and the respective changes. During his/her tenure, no shares exceeding 25% of his/her total shareholding in the Company shall be transferred each year; and no transfer of shares held by him/her shall be allowed within one year since the date when the shares in the Company are listed. The aforesaid personnel shall not transfer the shares held by him/her within half a year after leaving his/her office.

**Article 33** Where any director, supervisor, senior management of the Company and shareholder holding 5% or more of the Company's shares sells his/her shares or other securities with an equity nature within a period of six months after the acquisition of the same, or repurchase shares of the Company or other securities with an equity nature within six months after sales of the same, any proceed arising therefrom shall belong to the Company, and the Board of Directors of the Company shall demand such gains for the benefit of the Company. However, the six-month restriction shall not apply for a securities company that holds 5% or more of the Company's shares as a result of its underwriting of the untaken shares in an offer.

The shares or other securities with an equity nature held by directors, supervisors, senior management and natural person shareholders referred to in the preceding paragraph shall include the shares or other securities with an equity nature held by their spouses, parents and children, and those held through others' accounts.

If the Board of Directors of the Company fails to comply with the requirements under the aforesaid paragraph, a shareholder shall have the rights to request the Board of Directors to do so within 30 days. In failure of the Board of Directors to comply with the same within the aforesaid period, such shareholder shall have the rights to institute a legal proceeding directly with the people's court in its own name for the benefit of the Company.

If the Board of Directors of the Company fails to comply with the requirements under the first paragraph, the director(s) liable shall assume joint and several responsibilities pursuant to laws.

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

**Article 34** The Company or its subsidiaries (including the Company's affiliates) shall not, by any means at any time, provide any 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 shall include a person who directly or indirectly assumes any obligations for the purpose of 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 obligor for the purpose of reducing or discharging the obligations.

The provisions in this Article shall not apply to the circumstances stated in Article 36 of the Articles of Association.

**Article 35** For the purpose of the Articles of Association, "financial assistance" includes but not limited to the following means:

- (I) Gift;
- (II) Guarantee (including the undertaking of liability or provisions of property by the guarantor to secure the performance of the obligation by the obligator), or indemnity (other than indemnity arising from the Company's own fault) and release or waiver of rights;
- (III) Provision of a loan or conclusion of a contract under which the obligations of the Company are to be fulfilled prior to the obligations of the other party to the contract, 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 such assistance would lead to significant reduction in the Company's net assets.

For the purpose of the Articles of Association, "assuming an obligation" includes the assumption of obligations by way of contract or the entering into an arrangement (whether enforceable or not, and whether entered into on its own account or with any other persons), or by the changing of the obligor's financial position by any other means.

**Article 36** The following activities shall not be deemed to be activities prohibited under Article 34 of the Articles of Association:

- (I) The financial assistance by the Company is given in good faith and in the interest of the Company, and the principal purpose of the financial assistance is not for the acquisition of shares of the Company, or the financial assistance is an ancillary 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 shares as dividends;
- (IV) A reduction of registered capital, a repurchase of shares or a reorganization of the capital structure of the Company 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 reduced, financial assistance is paid out of the distributable profits of the Company);
- (VI) The provision of money by the Company for an employee stock ownership plan (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 Certificates and Register of Shareholders**

**Article 37** The share certificates of the Company shall be in registered form. The following particulars shall be stated on a share certificate:

- (I) The name of the Company;
- (II) The date of incorporation of the Company;
- (III) The class and par value of the shares and the number of shares represented by the certificate;
- (IV) The serial number of the share certificate;
- (V) Other clauses as required to be specified by the Company Law and other laws and regulations and the stock exchange(s) in the place where the Company's shares are listed.

The H shares issued by the Company may be in the form of overseas depository receipts or other derivative forms of shares in accordance with the requirements of Hong Kong law or the Hong Kong Stock Exchange and practices for securities registration and depository.

**Article 38** The share certificates shall be signed by the chairman of the Board of Directors. Where the signatures of other senior management of the Company are required by the stock exchange on which the shares of the Company are listed, the share certificates shall also be signed by such other relevant senior management. The share certificates shall take effect after the Company seal is affixed thereto or printed thereon. The share certificates shall only be affixed with the Company's seal under the authorization of the Board of Directors. The signatures of the chairman of the Board of Directors of the Company or other relevant senior management on the share certificates may also be in printed form.

Under the condition that the shares of the Company are issued and traded without paper, the applicable provisions of the securities regulatory authorities and stock exchange where the Company's shares are listed shall apply separately.

**Article 39** The Company shall keep a register of shareholders which shall contain the following contents:

- (I) The name, address (domicile), occupation or nature of each shareholder;
- (II) The category and number of shares held by each shareholder;
- (III) The amount paid 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 is registered as a shareholder;
- (VI) The date on which a person ceases to be a shareholder.

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

Subject to these Articles of Association and other applicable provisions, the name of the transferee of the Company's shares shall be entered on the register of shareholders as the holder of such shares upon transfer.

The assignment and transfer of shares shall be registered in the register of shareholders at the domestic and overseas stock transfer registrars entrusted by the Company.

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

- (I) The Company shall not register more than four persons as the joint shareholders of any shares;
- (II) All joint shareholders of any shares shall jointly and severally assume the liabilities for all the amounts payable for the relevant shares;
- (III) If one of the joint shareholders is deceased or cancelled, only other living persons of the joint shareholders shall be deemed by the Company to be such persons as having the ownership of the relevant shares. But the Board of Directors shall have the right to demand a death or cancellation certificate of such shareholder which it deems appropriate for the purpose of amending the register of shareholders;

- (IV) For joint shareholders of any shares, only the joint shareholder whose name appears first in the register of shareholders is entitled to accept the certificate for the relevant shares from the Company, and receive notices or other documents of the Company. Any notice delivered to the aforesaid shareholder shall be deemed to have been delivered to all the joint shareholders of the relevant shares. Any joint shareholder may sign the proxy form, provided that if more than one joint shareholders attend the shareholders' in person or by proxy, the vote of the senior joint shareholder who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint shareholders. In this regard, the priority of shareholders shall be determined by the ranking of joint holders in the Company's register of shareholders in relation to the relevant shares; and
- (V) Any receipts issued to the Company by one of the joint shareholders in respect of any dividend, bonus issue or return on capital payable to such joint shareholders shall be deemed as a valid receipt that has been issued by such joint shareholders to the Company.

**Article 40** Where any laws, administrative regulations, departmental rules and regulatory documents and relevant stock exchanges or regulatory authorities of the places where the shares of the Company are listed stipulate the period of closure of the register of members prior to a shareholders' general meeting or the record date set by the Company for the purpose of distribution of dividends, such provisions shall prevail.

**Article 41** Any person who objects to the register of shareholders and requests to register his or her name (title) in the register of shareholders or to remove his or her name (title) from the register of shareholders may apply to the court with jurisdiction to amend the register of shareholders.

**Article 42** If any person whose name appears in the register of shareholders or requests to register his or her name (title) in the register of shareholders loses his or her share certificates (that is, "original share certificates"), he or she may apply to the Company to reissue new share certificates for those shares (that is, "relevant shares").

In the event holder of domestic shares applies to the Company for a reissue after losing the share certificates, the matter shall be dealt with pursuant to relevant provisions of the Company Law.

In the event a shareholder of overseas-listed foreign shares applies to the Company for a reissue after losing the share certificates, the matter may be dealt with pursuant to the laws, rules of the stock exchange where the original register of the shareholder of overseas-listed foreign shares is kept, or other related provisions.

If a H shareholder loses share certificates and applies for a replacement issue, the share certificates shall be issued in compliance with the following requirements:

- (I) The applicant shall submit the application in the standard format designated by the Company and attach a notary certificate or legal declaration. The contents of the notary certificate or legal declaration shall include the reason for the applicant's request, circumstances and evidence of loss of share certificates, as well as a statement that nobody else may request to be registered as a shareholder with respect to the relevant shares;
- (II) Before deciding to issue new share certificates, the Company does not receive any statement in which any person other than the applicant requests to be registered as the shareholder with respect to the shares;
- (III) If the Company decides to issue new share certificates to the applicant, the Company shall publish an announcement in a newspaper designated by the Board of Directors indicating that the Company plans to reissue new share certificates. The announcement period shall be 90 days and the announcement shall be published at least once every 30 days;
- (IV) Before publishing the announcement indicating that the Company plans to re-issue share certificates, the Company shall submit a copy of the announcement to be published to the stock exchange on which the shares are listed and may publish the announcement after receiving a reply from the stock exchange confirming that the announcement has been displayed at the stock exchange. The period of displaying the announcement at the stock exchange is 90 days;

If the registered shareholders of the relevant shares do not approve the application for reissue of new share certificates, the Company shall mail the copy of the announcement to be published to the shareholders;

- (V) In the event that nobody raises any objection to the reissue of new share certificates to the Company, upon expiration of the 90-day display period of the announcement specified in clauses (III) and (IV) of this Article, the new share certificates may be reissued according to the application made by the applicant;
- (VI) When re-issuing new share certificates according to this Article, the Company shall immediately cancel the original share certificates and register the cancellation and replacement issue on the register of shareholders;
- (VII) All expenses incurred by the Company from the cancellation of the original share certificates and replacement issue of the new share certificates shall be borne by the applicant. Before the applicant has provided reasonable security, the Company shall have the right to refuse to take any action.

**Article 43** Where the Company re-issue new share certificates pursuant to these Articles of Association, the name of a bona fide purchaser who obtains the aforementioned new share certificates or a shareholder who thereafter registers as the owner of such shares (in the case that he/she is a bona fide purchaser) shall not be removed from the register of shareholders.

**Article 44** The Company shall not be liable for any loss suffered by any person due to the cancellation of the original certificate or replacement issue of the new share certificates, unless the claimant proves that the Company acted fraudulently.

Where the Company issue share warrants to non-registered holders, no new share warrant shall be issued to replace one that has been lost unless the Company is satisfied beyond reasonable doubt that the original has been destroyed.

## **CHAPTER 4 SHAREHOLDERS AND SHAREHOLDERS' GENERAL MEETING**

### **Section 1 Shareholders**

**Article 45** A Shareholder of the Company is a person who holds shares in the Company according to the laws with its name registered in the register of members. The Company shall establish a register of members based on the vouchers provided by securities registries. The register of members shall be a sufficient evidence for the Shareholders' shareholdings in the Company. The Shareholders shall enjoy rights and undertake obligations as per the class and proportion of the shares held by them; Shareholders holding the same class of shares shall be entitled to equal rights and undertake equal obligations.

**Article 46** When the Company needs to convene a shareholders' general meeting for the purposes of determination, dividend distribution, liquidation or any other purposes which need to determine the identification of shareholder, the Board of Directors or the convener of the shareholders' general meeting shall determine a record date for the determination of shareholdings. Shareholders whose names appear on the register at closing on the record date shall be the shareholders entitled to the relevant rights and interests.

**Article 47** The Shareholders of ordinary shares of the Company shall have the following rights:

- (I) To receive dividends and profit distributions in other forms in proportion to the shares held by them;
- (II) To lawfully require, convene, preside over or attend shareholders' general meeting either in person or by proxy, to speak at the general meeting and exercise their corresponding voting rights;
- (III) To supervise, make recommendations or make inquiries about the operations of the Company;
- (IV) To transfer, gift or pledge their shares in accordance with the laws, administrative regulations, department rules, regulatory documents, the listing rules of the stock exchange in the place where the Shares of the Company are listed, and the Articles of Association;



- (V) To check the Articles of Association, register of shareholders, bond stubs, minutes of general meetings, resolutions of meetings of the Board of Directors, resolutions of meetings of the Supervisory Committee, and financial accounting reports;
- (VI) In the event of the termination or liquidation of the Company, to participate in the distribution of the remaining property of the Company in proportion to the shares held by them;
- (VII) To require the Company to acquire the shares held by the Shareholders who object to a resolution proposed at the shareholders' general meeting concerning the merger or division of the Company;
- (VIII) Other rights as stipulated by the laws, administrative regulations, department rules, regulatory documents, the listing rules of the stock exchange in the place where the Shares of the Company are listed or the Articles of Association.

Where any person directly or indirectly owning interests does not disclose his/her interests to the Company, the Company shall not therefore exercise any right to freeze or otherwise impair any rights attached to the shares held by such person.

**Article 48** Where shareholders request for inspection of the relevant information or demand for materials as mentioned in the presiding 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.

**Article 49** If 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.

If 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 50** Where the Company incurs loss as a result of violation of the laws, administrative regulations or the Articles of Association by directors and senior management in the course of performing their duties, shareholders individually or jointly holding 1% or more of the shares of the Company for one hundred and eighty (180) consecutive days or more shall have the rights to request in writing the Supervisory Committee to initiate legal proceedings in the People's Court. Where the Company incurs loss as a result of violation of laws, administrative regulations or the Articles of Association by the Supervisory Committee in the course of performing its duties, the shareholders shall have the rights to request in writing to the Board of Directors to initiate legal proceedings in the People's Court.

If the Supervisory Committee or the board of directors refuses to initiate legal proceedings upon receipt of the written request of shareholders stated in the preceding paragraph, or fails to initiate such legal 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 rights to initiate legal proceedings in the People's Court directly in their own names in the interest of the Company.

If any person infringes the lawful rights and interests of the Company, thus causing any losses to the Company, the shareholders as mentioned in the first paragraph of this Article may initiate legal proceedings in the People's Court in accordance with the provisions of the preceding paragraphs.

**Article 51** If any director or senior management is in violation of laws, administrative regulations or the Articles of Association, thus causing any losses to the shareholders, the shareholders may initiate legal proceedings against such director or senior management in the People's Court.

**Article 52** Shareholders of ordinary shares of the Company shall have the following obligations:

- (I) To abide by the laws, administrative regulations, departmental rules, normative documents, listing rules of stock exchange of the place where the shares of the Company are listed and the Articles of Association;
- (II) To pay for the shares based on the shares subscribed for and the manners in which they became shareholder;
- (III) Not to surrender the shares unless required by law and regulations;
- (IV) Not to abuse their 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 creditors of the Company;

Where shareholders of the Company abuse their shareholders' rights to jeopardize the interests of the Company or other shareholders, such shareholders shall be legally liable for compensation according to laws;

Where shareholders of the Company abuse Company's status 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 and severally liable for the debts owed by the Company.

- (V) When an investor holds, or jointly holds with others through agreements or other arrangements, up to 3% of the Company's issued shares through securities trading on a stock exchange, he or she shall make a written report to the Company's Board of Directors within three days from the date of occurrence of such fact. After a shareholder holds, or jointly holds with others through agreements or other arrangements, 3% of the Company's issued shares, he or she shall report in accordance with the preceding paragraph for every 3% increase or decrease in his or her shareholding of the Company's issued shares. The contents of the report shall include, but not limited to, an introduction of the person obligated to disclose information, the purpose of the change in interest, the manner of the change in interest, the source of funds for the transaction, the follow-up plan, an analysis of the impact on the listed company, the trading of listed shares within the preceding six months, the financial information of the person obligated to disclose information, other important matters, documents for inspection and declarations of the person obligated to disclose information and the legal representative.
- (VI) Other obligations as stipulated by the laws, administrative regulations, department rules, regulatory documents, the listing rules of the stock exchange in the place where the Shares of the Company are listed and the Articles of Association.

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

**Article 53** If a shareholder holding more 5% or more of the voting shares of the Company pledges the shares held by him, such shareholder shall notify the Company in writing within the day on which such facts occur.

**Article 54** In addition to the obligations imposed by the laws, administrative regulations, department rules, regulatory documents, the listing rules of the stock exchange in the place where the Shares of the Company are listed, a controlling shareholder shall not exercise his voting rights in respect of the following matters in a manner prejudicial to the interests of all or part of the shareholders of the Company:

- (I) Act honestly in the best interests of the Company in removing a director or supervisor;
- (II) To approve the expropriation by a director or supervisor (for his own benefit or for the benefit of another person) of the Company's assets in any way, including (but not limited to) opportunities which are 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 interest of other shareholders, including (but not limited to) rights to distributions and voting rights (excluding a restructuring which has been submitted for approval by the shareholders in a shareholders' general meeting in accordance with the Articles of Association).

**Article 55** Neither the Controlling Shareholder nor the de facto controller of the Company shall prejudice the interests of the Company by taking advantage of its related relationship. Anyone who causes any losses to the Company as a result of violating the provisions shall be liable for the compensation.

The Controlling Shareholder and the de facto controller of the Company owe a fiduciary duty to the Company and its public Shareholders. The Controlling Shareholder shall strictly and lawfully exercise its rights as a subscriber, and shall not impair the legitimate rights and interests of the Company and its public Shareholders in the ways of profit distribution, asset reorganization, external investments, capital use, loans and guarantees, etc., nor impair the interests of the Company and its public Shareholders by using its controlling status in the Company.

**Article 56** The Board of Directors of the Company shall set up a mechanism of “moratorium upon misappropriation” on the Company’s shares held by the Controlling Shareholders, that is, upon discovery of any misappropriation of the Company’s assets by any Controlling Shareholder, the Company shall apply for freezing of the Company’s shares held by the Controlling Shareholder by judicial order immediately. Where it is impossible to make corresponding repayment in cash, the assets misappropriated shall be repaid by monetizing the shares held by the said Controlling Shareholders.

The directors, supervisors and senior management of the Company have legal obligations to safeguard the capital and assets of the Company and cannot expropriate the Company’s assets or assist or allow the controlling shareholder, the de facto controller and their related parties to expropriate the Company’s assets. In the event of violation of the aforementioned regulation by directors, supervisors and senior management of the Company, any gains from such violation shall be vested in the Company. If the Company incurs losses as a result of such violation, the defaulting parties shall be responsible for making compensation. Meanwhile, the Board of Directors of the Company shall penalize the personnel directly in charge based on the severity of the incident, or submit a resolution on the removal of responsible directors or supervisors at the shareholders’ general meeting. In case of criminal offense, such incident shall be transferred to juridical departments for further actions.

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

**Article 57** The shareholders’ general meeting is the body exercising the authority of the Company and shall exercise the following duties and powers in accordance with the law:

- (I) To determine the business 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 of the Company;
- (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 consider and approve the guarantee issues as prescribed in Article 59 of the Articles of Association;
- (XII) To consider and approve the financial assistance issues as prescribed in Article 60 of the Articles of Association;
- (XIII) 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;
- (XIV) To consider and approve matters relating to changes in the use of proceeds;
- (XV) To consider share incentive plans or employee stock ownership plan;
- (XVI) To make a resolution on the Company's hiring, dismissal or no longer hiring an accounting firm;
- (XVII) To consider the proposals raised by the shareholders who, individually or jointly, hold 3% or more of the voting shares of the Company;
- (XVIII) To consider other matters required to be resolved by the shareholders' general meeting pursuant to laws, administrative regulations, departmental rules and regulations, the listing rules of the place where the Company's shares are listed or the Articles of Association.

The aforesaid functions and powers of shareholders' general meetings shall not be delegated through authorization to the Board of Directors or any other institution or individual.

**Article 58** The shareholders' general meeting shall perform strict review and decision-making procedures in respect of transactions such as the purchase or disposal of assets and external investments of the Company in accordance with the law. The Company shall organize relevant experts and professionals to conduct evaluation and report to the shareholders' general meeting for approval of the Company's major investment projects. The details are as follows:

- (I) The transactions referred to in this Article shall include the following matters:
1. purchase or disposal of assets;
  2. external investment (including entrusted wealth management and investment in subsidiaries, except for the establishment or capital increase of wholly-owned subsidiaries);
  3. provision of financial assistance (including entrusted loans);
  4. provision of guarantees (referring to guarantees provided by the Company to others, including guarantees to its controlled subsidiaries);
  5. leasing or lending of assets;
  6. signing of management contracts (including entrusting operation, entrusted operation, etc.);
  7. donating of assets or receiving of donated assets;
  8. credit and debt restructuring;
  9. transfer of research and development projects;
  10. signing of license agreements;
  11. waiver of rights (including waiver of pre-emptive right, priority for invited capital contribution and other rights);
  12. other transactions.

The above purchase and disposal of assets do not include the purchase of raw materials, fuels and power related to daily operations (excluding the purchase and disposal of such assets involved in asset exchange), and the sale of products, commodities and other assets related to daily operations (excluding the purchase and disposal of such assets involved in asset exchange), which is the Company's principal business activity although the transactions as stipulated in the preceding paragraph are carried out.

- (II) When a transaction of the Company (except for provision of guarantees and financial assistance) meets one of the following criteria, it shall be submitted to the shareholders' general meeting for consideration and approval:
1. the total assets involved in the transaction account for more than 40% of the Company's latest audited total assets. Where the total assets involved in the transaction have both book value and appraised value whatever is higher shall be taken for calculation;
  2. the operating revenue related to the subject of the transaction (for instance, equity interest) for the latest accounting year accounts for more than 40% of the Company's audited operating revenue for the latest accounting year, with an absolute amount exceeding RMB50 million;
  3. the net profit related to the subject of the transaction (for instance, equity interest) for the latest accounting year accounts for more than 50% of the Company's audited net profit for the latest accounting year, with an absolute amount exceeding RMB5 million;
  4. the transaction amount of the transaction (including the debt and expenses) accounts for more than 50% of the Company's latest audited net assets, with an absolute amount exceeding RMB50 million;
  5. the profit derived from the transaction accounts for more than 50% of the Company's audited net profit for the latest accounting year, with an absolute amount exceeding RMB5 million.

In case the figure involved in the above index calculation is negative, the absolute value thereof shall be taken for calculation.

**Article 59** Where a guarantee is provided by the Company, it shall be disclosed after considered and approved by the Board of Directors.

The following external guarantees of the Company shall be considered and approved by the shareholders' general meeting:

- (I) Any single guarantee with an amount exceeding 10% of the Company's most recent audited net assets.
- (II) Any guarantee provided after the total amount of external guarantees of the Company and its controlled subsidiaries exceeds 50% of the Company's most recent audited net assets;
- (III) Any guarantee provided for those whose asset-liability ratio exceeds 70%;



- (IV) The amount of guarantees exceeds 50% of the Company's audited net assets and the absolute amounts is over RMB50 million for the latest period for 12 consecutive months;
- (V) The amount of guarantees exceeds 30% of the Company's audited total assets for the latest period for 12 consecutive months;
- (VI) Guarantee provided to shareholders, de facto controllers and their connected persons;
- (VII) Other guarantees specified in laws, administrative regulations, departmental rules, regulatory documents, the requirements of the listing rules of the stock exchange where the Company's shares are listed, or the Articles of Association of the Company.

When the Board of Directors considers guarantee matters, it must be approved by at least two-thirds of the directors present at the Board of Directors meeting. When considering the guarantee in clause (V) of the preceding paragraph at the shareholders' general meeting, it shall be approved by more than two-thirds of the voting rights held by shareholders attending the meeting.

When considering the resolution of providing guarantee to shareholders, de facto controllers and connected parties thereof at the shareholders' general meeting, such shareholders or shareholders controlled by such de facto controllers shall not vote on such resolution. Such resolution requires a simple majority of the voting rights of other shareholders attending the shareholders' general meeting to be passed.

Where a guarantee is provided by the Company to a wholly-owned subsidiary or a guarantee is provided to a controlling subsidiary and other shareholders of such controlling subsidiary provided guarantees in proportion to their rights and interests, and such guarantees fall within the scope of clauses (I) to (IV) of this Article, they may be exempted from being submitted to the shareholders' general meeting for consideration.

Where a guarantee is provided by the Company to the connected parties, it shall be disclosed in a timely manner after being considered and approved by the Board of Directors and submitted to the shareholders' general meeting for consideration. Where a guarantee is provided by the Company to the controlling shareholder, de facto controller and its connected parties, such controlling shareholders, de facto controllers and connected parties shall provide counter guarantee.

**Article 60** The financial assistance provided by the Company shall be submitted to the shareholders' general meeting for consideration after consideration and approval by the Board of Directors if it falls under any of the following circumstances:

- (I) The latest audited asset-liability ratio of the target of financial assistance exceeds 70%;

- (II) The amount of a single financial assistance or the aggregated amount of financial assistance provided in 12 consecutive months exceed 10% of the Company's latest audited net assets;
- (III) Other circumstances specified in laws, administrative regulations, departmental rules, regulatory documents, the requirements of the listing rules of the stock exchange where the Company's shares are listed, or the Articles of Association.

If the target of financial assistance is a controlling subsidiary included in the consolidated financial statements of the Company and owned as to over 50% by the Company, and no any other shareholders of such holding subsidiary are the controlling shareholder, the actual controller and their associates of the Company, such financial assistance shall be exempted from the provisions mentioned above.

**Article 61** Shareholders' general meetings are classified into annual shareholders' general meetings and extraordinary shareholders' general meetings. Annual shareholders' general meetings shall be convened once a year within six months from the end of the previous fiscal year.

**Article 62** The Company shall convene an extraordinary shareholders' general meeting within 2 months upon the occurrence of the following events:

- (I) The number of directors is less than the number as stipulated in the Company Law or less than two-thirds of the number as prescribed in the Articles of Association;
- (II) The uncovered losses of the Company amount to one-third of the total paid up share capital;
- (III) When shareholders individually or jointly holding more than 10% shares carrying voting rights of the Company request in writing to hold such meeting;
- (IV) Whenever the Board of Directors considers it necessary;
- (V) When the Supervisory Committee proposes to convene;
- (VI) Other circumstances specified in laws, administrative regulations, departmental rules, regulatory documents, the requirements of the listing rules of the stock exchange where the Company's shares are listed, or the Articles of Association.

The shareholdings referred to in clause (III) above shall be calculated as at the date of written request of the shareholders.

**Article 63** The venue of the shareholders' general meeting of the Company shall be the domicile of the Company or other places specified in the notice of shareholders' general meeting.

**Article 64** The Company shall set up a venue and the shareholders' general meeting shall be convened on-site. The time and venue of the on-site meeting should be convenient for shareholders to attend. After the notice of the general meeting of shareholders is issued, the venue of the on-site meeting of the shareholders' general meeting shall not be changed without proper reason. If it is necessary to change, the convener shall make an announcement and explain the reason at least 2 working days before the on-site meeting. The Company will also provide online voting and other means to facilitate shareholders in the shareholders' general meeting. Any shareholders who participate in the meeting in the aforesaid manner shall be deemed as present. When shareholders participate in the shareholders' general meeting online, the identity of them shall be verified by the provider of the online techniques of the shareholders' general meeting.

**Article 65** When holding a shareholders' general meeting, the Company shall engage lawyers to give legal opinions and make an announcement on the following matters:

- (I) Whether the procedures of convening and holding the meeting comply with laws, administrative regulations and the Articles of Association;
- (II) Whether the qualifications of the attendees and the convener of the meeting are lawful and valid;
- (III) Whether the voting procedure and results of the meeting are lawful and valid;
- (IV) Legal opinions on other relevant matters upon request by the Company.

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

**Article 66** The shareholders' general meeting shall be convened by the Board of Directors.

**Article 67** Independent directors are entitled to propose to the Board of Directors to convene an extraordinary general meeting. In respect of the proposal of convening an extraordinary general meeting made by independent shareholder(s), the Board of Directors shall, according to law, administrative regulations, the listing rules of the place where the shares of the Company are listed and the Articles of Association, give a written reply on whether or not it agrees to convene an extraordinary general meeting within 10 days after receiving the proposal.

Where the Board of Directors agrees to convene an extraordinary general meeting, it should issue the notice of extraordinary general meeting within 5 days after the resolution has been made by the Board of Directors. Where the Board of Directors refuses to convene an extraordinary general meeting, it should explain the reasons and make an announcement timely, and hire a law firm to issue a legal opinion on the relevant reasons and their legal compliance and make an announcement.

If there are any other requirements on the above matters of the securities supervisory authority of the place where the shares of the Company are listed, such requirements shall prevail.

**Article 68** The Supervisory Committee is entitled to propose to the Board of Directors to convene an extraordinary general meeting, provided that the proposal shall be made to the Board of Directors in writing. The Board of Directors shall, pursuant to laws, administrative regulations, the listing rules of the place where the shares of the Company are listed and the Articles of Association, give a written reply on whether or not it agrees to convene an extraordinary general meeting within 10 days after receiving the proposal.

Where the Board of Directors agrees to convene an extraordinary general meeting, it should issue the notice of shareholders' general meeting within 5 days after the resolution has been made by the Board of Directors. Where the original proposal needs to be varied in the notice, the approval of the Supervisory Committee is required.

Where the Board of Directors refuses to convene an extraordinary general meeting, or did not give any reply within 10 days after receiving the proposal, the Board of Directors is deemed to be unable or to have failed to fulfill its responsibility to convene general meetings, and the Supervisory Committee is entitled to convene and preside over the general meeting on its own. Where the Board of Directors refuses to convene an extraordinary general meeting, it should explain the reasons and make an announcement timely, and hire a law firm to issue a legal opinion on the relevant reasons and their legal compliance and make an announcement; meanwhile, it shall support the Supervisory Committee in convening the shareholders' general meeting at its own, and not postpone or refuse to support in disclosure.

**Article 69** The procedures for convening an extraordinary general meeting at the request of the shareholders shall be as follows:

- (I) Shareholder(s) severally or jointly holding more than 10% shares carrying voting rights of the Company shall have the right to request the Board of Directors to hold an extraordinary general meeting, and shall put forward such request to the in writing and state the topic of the meeting. The number of the shares held as aforesaid shall be calculated based on those shares held by the shareholders as at the date of the written request. The Board of Directors shall, pursuant to relevant laws, administrative regulations, the listing rules of the stock exchange in the place where the stocks of the Company are listed and the Articles of Association, give a written reply on whether or not it agrees to convene such an extraordinary general meeting within 10 days after receipt of the request.
- (II) Where the Board of Directors agrees to convene the extraordinary general meeting, it shall serve a notice of such meeting within 5 days after the resolution is made by the Board of Directors. Any change to the original request set forth in the notice shall be subject to approval by the relevant shareholders.
- (III) Where the Board of Directors does not agree to convene the extraordinary general meeting or fails to give a written reply within 10 days after receipt of the request, shareholder(s) severally or jointly holding more than 10% shares carrying voting rights of the Company shall be entitled to propose to the Supervisory Committee to hold an extraordinary general meeting, and shall put forward such request to the Supervisory Committee in writing.

- (IV) Where the Supervisory Committee agrees to convene the extraordinary general meeting, it shall serve a notice of such meeting within 5 days after receipt of the said request. In the event of any change to the original proposal set forth in the notice, the consent of relevant shareholder(s) shall be obtained.

Where the Supervisory Committee fails to serve the notice of general meeting within the prescribed period, it shall be deemed as failing to convene and preside over the general meeting or class meeting. The shareholder(s) severally or jointly holding more than 10% shares carrying voting rights of the Company for more than 90 consecutive days may convene and preside over the meeting by themselves.

- (V) Where the Board of Directors and the Supervisory Committee refuse to convene an extraordinary general meeting, it should explain the reasons and make an announcement timely, and hire a law firm to issue a legal opinion on the relevant reasons and their legal compliance and make an announcement; meanwhile, it shall support shareholders in convening an extraordinary general meeting at its own, and not postpone or refuse to support in disclosure.

**Article 70** Where the Supervisory Committee or shareholders decide(s) to convene the shareholders' general meeting by itself/themselves, it/they shall send out a written notice to the Board of Directors, and shall file with the dispatched office of CSRC at the locality of the Company and the stock exchange of the place where shares of the Company are listed.

Where the shareholders decide to convene the shareholders' general meeting by themselves, the shareholding of the convening shareholders shall not be lower than 10% during the period from the date of announcing the notice of general meeting to the conclusion of the general meeting.

The convening shareholder shall submit relevant evidence to the dispatched office of CSRC at the locality of the Company and the stock exchange of the place where shares of the Company are listed upon the issuance of the notice of general meeting and the announcement of the resolutions of the general meeting.

**Article 71** With regard to the general meeting convened by the Supervisory Committee or shareholders on its/their own initiative, the Board of Directors and its secretary shall offer cooperation. The Board of Directors shall provide a register of members as of the equity registration date. Where the Board of Directors does not provide a register of members, the convener may apply for obtaining it to the securities registration and clearing institution in the place where the stocks of the Company are listed by providing relevant announcement on convention of a general meeting. The register of members obtained by the convener may not be used for other purposes except convention of a general meeting.

**Article 72** If the Supervisory Committee or shareholders itself/themselves convene a general meeting, the expenses necessary for the meeting shall be borne by the Company and set off against sums owned by the Company to the defaulting directors.

#### **Section 4 Proposals and Notices of Shareholders' General Meeting**

**Article 73** The contents of the proposals shall fall within the functions and powers of the shareholders' general meeting, shall have clear discussion topics and specific matters to be resolved, and shall comply with relevant requirements of laws, administrative regulations, the listing rules of the place where shares of the Company are listed and the Articles of Association.

**Article 74** When a shareholders' general meeting is convened by the Company, the Board of Directors, the Supervisory Committee or shareholders individually or jointly holding 3% or more of the shares of the Company shall be entitled to raise proposals to the Company.

The convener of a shareholders' general meeting shall take the best interests of the Company and the shareholders as its code of conduct and examine the proposals for the shareholders' general meeting in accordance with the provisions of the Articles of Association. If the convener considers that the content of the proposal or the procedure for making the proposal is in compliance with the provisions of the Articles of Association after examination, the proposal shall be included in the agenda of that shareholders' general meeting. If the convener considers that the content of the proposal or the procedure for making the proposal is not in compliance with the provisions of the Articles of Association, he or she shall provide an explanation and justification at that shareholders' general meeting.

Shareholders individually or jointly holding 3% or more of the shares of the Company may submit ad hoc proposed resolutions in writing to the convener of the shareholders' general meeting 10 days before the convening of the shareholders' general meeting, whereas the provisional proposals should have clear topics and specific resolutions. After reviewing in accordance with the requirements of the preceding paragraph, the content and submission procedures of the proposal comply with the provisions of the Articles of Association. The convener shall issue a supplemental notice of the shareholders' general meeting within 2 days upon receipt of the proposals and announce the contents thereof.

Except for circumstances provided in the above paragraph, the convener, after issuing the notice and announcement of the shareholders' general meeting, shall neither revise the proposals stated in the notice of shareholders' general meetings nor add new proposals.

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 73 hereof.

**Article 75** The convener shall inform each shareholder the annual shareholders' general meeting by way of announcement 20 days before the annual general meeting, and shall inform each shareholder the extraordinary shareholders' general meeting by way of announcement 15 days before the meeting.

In determining the commencement date and the period, the date on which the meeting is held shall not be included.

**Article 76** An extraordinary shareholders' general meeting shall not decide on matters which are not specified in the notice.



**Article 77** A notice of shareholders' general meeting shall:

- (I) Be provided in writing;
- (II) Specify the place, date and time of the meeting;
- (III) Explain the matters and proposals submitted to the meeting for deliberation;
- (IV) Provide shareholders the detailed information and explanations necessary for the shareholders to make sound decisions about the matters to be discussed. This principle includes (but not limited to) the provision of the specific terms and contract(s), if any, of the proposed transaction(s) and serious explanations about the causes and effects when the Company proposes mergers, repurchase of shares, restructuring of share capital or other restructuring;
- (V) In the event that any of the directors, supervisors, general manager and other senior management has material interests at stake in matters to be discussed, the nature and extent of the interests at stake shall be disclosed. If the matters to be discussed affect any director, supervisor, general manager and other senior management as a shareholder in a manner different from how they affect the same class of other shareholders, the difference shall be explained;
- (VI) Include the full text of any special resolution to be proposed for approval at the meeting;
- (VII) Contain a conspicuous statement that a shareholder who is entitled to attend and vote at the meeting may appoint one or more proxies to attend and vote at the meeting on his/her behalf and such proxy needs not be a shareholder;
- (VIII) State the time and place for delivering the proxy form authorizing the proxy to vote at the relevant meeting;
- (IX) Specify the record date of shareholdings of shareholders entitled to attend the shareholders' general meeting;
- (X) State the names and telephone numbers of the permanent contact persons for conference affairs.

Any notice and supplementary notice of shareholders' general meetings shall sufficiently and completely disclose all the details of all proposals and all information or interpretations necessary to enable shareholders to make a reasonable judgment on the matters to be discussed. If any matter to be discussed requires opinions of the independent directors, the opinions and reasons of the independent directors shall be disclosed together with the issuance of such notice or supplementary notice.



Where the shareholders' general meeting is held online or in other methods, the voting time and procedures online or in other methods shall be clearly stated in the notice of the shareholders' general meeting. The start time of voting of the shareholders' general meetings held online or in other methods is subject to relevant regulations of the securities regulatory authorities and stock exchange of the place where the company's shares are listed.

The interval between the equity registration date and the meeting date should be no less than 2 working days but not more than 7 working days. Once the equity registration date is confirmed, it cannot be changed.

**Article 78** In the event that matters involving the election of directors and supervisors are to be considered at the shareholders' general meeting, the notice of such general meeting shall fully disclose the detailed information of the candidates for such directors and supervisors, which shall at least include the following:

- (I) Personal particulars including education background, working experience and any part-time job;
- (II) Whether there is any connected relationship with the Company or its controlling shareholders and de facto controller;
- (III) Disclosure of the shareholdings in the Company;
- (IV) Whether they have been penalized by the CSRC and other related authorities and reprimanded by any stock exchange;
- (V) The information of the directors or supervisors appointed, or re-elected or redesignated that must be disclosed according to the provisions of Hong Kong Listing Rules.

Apart from directors and supervisors elected through the cumulative voting system, each candidate of director or supervisor shall be individually proposed.

**Article 79** Except as otherwise provided by laws, administrative regulations, the listing rules of the stock exchange where the Company's shares are listed, or the Articles of Association, the notice of the shareholders' general meeting shall be sent to shareholders (regardless of whether they have voting rights at the shareholders' general meeting) by a dedicated person or mail with prepaid postage, and the address of the recipient shall be the address registered in the register of shareholders. For domestic shareholders, the notice of the shareholders' general meeting may also be made by public announcement.

The announcement referred to in the preceding paragraph shall be published on the media that meets the requirements of the securities regulatory agency of the State Council. Once the announcement is made, all domestic shareholders shall be deemed to have received the notice of the relevant shareholders' general meeting.

Subject to the relevant provisions of laws and regulations, and the requirements of the listing rules of the stock exchange of the place where the Company's shares are listed, and subject to the performance of the relevant procedures, the Company can issue the notice of the shareholders' general meeting to the holders of H shares by publications on the website of the Company or the websites designated by Hong Kong Stock Exchange or otherwise permitted by Hong Kong Listing Rules and the Articles of Association, instead of sending it by designated person or by postage paid mail.

**Article 80** After the notice of the shareholders' general meeting is issued, the shareholders' general meeting shall not be postponed or cancelled without justifiable reasons, and the proposals listed in the notice of the shareholders' general meeting shall not be cancelled. In the event of postponement or cancellation, the convener shall make a notice and explain the reason at least 2 trading days before the original scheduled date. If the shareholders' general meeting is postponed, the Company shall announce the postponed date in the notice.

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

**Article 81** The Board of Directors of the Company or any other convener shall take necessary measures to ensure the proper order of the shareholders' general meeting. The Board of Directors or any other convener shall take measures to stop any act disturbing the shareholders' general meeting, seeking trouble or infringing upon the legitimate rights and interests of shareholders, and shall report such act to the relevant authority for investigation and treatment.

**Article 82** All shareholders or their proxies in the register of members on the equity registration date shall be entitled to attend the shareholders' general meeting and exercise their voting rights according to relevant laws, administrative regulations, the listing rules of the stock exchange in the place where the stocks of the Company are listed and the Articles of Association. The Company and the convener shall not reject their participation for any reason.

The shareholders that have the right to attend shareholders' general meetings and exercise voting rights may attend and vote at shareholders' general meetings either in person or by one or multiple proxies (the proxies may be not shareholders). The proxy may exercise the following rights according to the authorization of the shareholder:

- (I) The right of the shareholder to speak at the shareholders' general meeting;
- (II) To require alone or together with others voting by ballot;
- (III) To exercise the voting right on a show of hands or in form of ballot, but if more than one shareholder proxy is appointed, the shareholder proxies may exercise voting right only in form of ballot.

If the shareholder is a recognized clearing house defined by relevant laws or regulations of the place where the stocks of the Company are listed or an agent thereof, it may authorize one or more people it deems appropriate to act as its representatives at any shareholders' general meeting or meeting of creditors; but, if more than one person is authorized, the power of attorney shall state the number and class of shares involved by each of the authorized persons. The power of attorney shall be signed by a person authorized by the recognized clearing house. The authorized persons may attend meetings (without presenting proof of shareholding, notarized authorization and/or further evidence to prove they have obtained official authorization) and exercise rights on behalf of the recognized clearing house (or its agent), as if the persons are individual shareholders of the Company.

**Article 83** An individual shareholder attending a shareholders' general meeting in person shall present his/her identity card or other valid identity certificates or share account card; a proxy attending a shareholders' general meeting on behalf of an individual shareholder shall present his/her identity card and power of attorney of the shareholder.

Legal person shareholders shall be attended by the legal representative or an agent authorized by the legal representative. Except for the recognized clearing house or its agent, if the legal representative attends the meeting, he/she shall present a proof of his/her identity and a valid certificate proving his/her qualification as a legal representative; if an agent is authorized to attend the meeting, the agent shall present a proof of his/her identity and written power of attorney issued by the legal representative of the legal person shareholder according to law.

**Article 84** The instrument appointing a proxy shall be in writing under the hand of the principal or his/her attorney duly authorized in writing; where the principal is a legal person, such instrument shall be under its seal or under the hand of its directors or attorney duly authorized.

The proxy form to appoint a proxy to attend any shareholders' general meeting by a shareholder shall contain the following:

- (I) Name of the proxy;
- (II) The number of shares of the principal represented by the proxy;
- (III) Indication of whether voting power is granted;
- (IV) Instruction of voting "for", "against" or "abstain" for each resolution proposed at any shareholders' general meeting;
- (V) Date of signing the proxy form and the effective period for such appointment;
- (VI) Signature (or seal) of the principal. If the principal is a corporate shareholder, the seal of the corporate shall be affixed.

**Article 85** Any instrument issued to a shareholder by the Board of Directors for use in appointing a proxy to attend and vote at meetings of the Company shall be in such format as to enable the shareholder to instruct the proxy to vote in favor of or against the motions according to his/her free will, and instructions shall be given in respect of each individual matter to be voted on at the meeting. The instrument of proxy shall contain a statement that in the absence of specific instructions by the shareholder, whether the proxy may vote as he/she thinks fit.

**Article 86** The instrument appointing a voting proxy shall be deposited at the registered address of the Company or such other place as the notice of meeting may specify not less than 24 hours prior to convening of the meeting at which the relevant matters will be voted on, or 24 hours before the time designated for voting. If the instrument appointing the voting proxy is signed by the attorney on behalf of the principal, the power of attorney or other authority must be notarized. The notarized power attorney or other authority must be delivered to the registered address of the Company or such other place specified in the notice of the meeting together with the instrument appointing the voting proxy.

If the principal is a legal person, its legal representative or such person as is authorized by resolution of its Board of Directors or other decision-making body may attend any shareholders' general meetings of the Company as a representative of the principal.

**Article 87** A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the death or loss of capacity of the principal or revocation of the proxy or of the authority under which the proxy was executed, or the transfer of the shares in respect of which the proxy is given, provided that no notice in writing of such aforesaid matters shall have been received by the Company at its premises before the commencement of the meeting at which the proxy is used.

**Article 88** A registration record for attendants at the meeting shall be compiled by the Company. The registration record shall contain clauses including but not limited to the names of attendants (or names of organizations), identity card numbers, residential addresses, the number of shares held or representing the voting rights and names (or name of organizations) of the proxies.

**Article 89** The convener and the lawyer appointed by the Company shall examine legality of the shareholders' qualifications according to the register of shareholders provided by the securities registrations and clearing organizations. The names of shareholders and the number of shares with voting rights shall be registered. The registration at the meeting shall terminate before the chairperson of the meeting announces the number of shareholders and proxies attending the meeting and the total number of the shares held with voting rights.

**Article 90** All directors, supervisors and secretary of the Board of Directors shall attend shareholders' general meetings of the Company, and the general manager and other senior management shall attend the meetings as non-voting attendees.

**Article 91** The shareholders' general meeting shall be presided over by the chairman of the Board of Directors. If the chairman of the Board of Directors is unable or fails to perform his/her duties, the vice chairman of the Board of Directors shall preside over the meeting. Where the vice chairman of the Board of Directors is unable or fails to perform his/her duties, a director selected by more than half of all directors shall preside over the meeting.

The chairman of the Supervisory Committee shall preside over the shareholders' general meeting convened by the Supervisory Committee. If the chairman of the Supervisory Committee is unable or fails to fulfill his/her duties, a supervisor jointly elected by more than half of the supervisors shall preside over the meeting.

A representative elected by the convener shall preside over the shareholders' general meeting convened by the shareholders. Where a representative cannot be elected by the shareholders to preside over the meeting for any reason, the shareholder (including the shareholder's proxy) holding the most voting shares present at the meeting shall preside over the meeting.

During the shareholders' general meeting, if the chairperson of the meeting violates the Articles of Association or the rules of procedure, which makes it impossible for the shareholders' general meeting to continue, a person may be elected at the shareholders' general meeting to act as chairman and continue the meeting, subject to the approval of more than half of the attending shareholders having the voting rights.

**Article 92** The Company shall formulate the rules of procedure for the shareholders' general meetings, which shall specify the convening and voting procedure of shareholders' general meetings, including notification, registration, reviewing of proposals, voting, counting of votes, announcement of voting results, formation of meeting resolutions, minutes of meeting and their signing, public announcements as well as the principles of authorization to the Board of Directors by the shareholders' general meeting, and such authorization shall be clear and specific. The rules of procedures for shareholders' general meetings shall be stipulated by the Board of Directors as an appendix to the Articles of Association and approved by the shareholders' general meeting.

**Article 93** The Board of Directors and the Supervisory Committee shall report their work for the past year at the shareholders' annual general meeting. Each independent director shall also submit his/her work report.

**Article 94** The directors, supervisors and senior management of the Company shall answer and explain inquiries and proposals made by shareholders at the shareholders' general meeting.

**Article 95** The chairperson of the meeting shall, prior to the voting, announce the number of shareholders and proxies attending the meeting in person as well as the total number of voting shares held by them, and the number of shareholders and proxies attending the meeting in person and the total number of their voting shares shall be subject to the meeting's registration record.

**Article 96** The minutes of shareholders' general meeting shall be maintained by the secretary of the Board of Directors. The minutes shall state the following contents:

- (I) Meeting time, venue and agenda and the name of the convener;
- (II) The name of the meeting chairman and the names of the directors, supervisors, managers and other senior management personnel attending or present at the meeting;
- (III) The numbers of shareholders and proxies attending the meeting, number of voting shares they represent and the percentages of their voting shares to the total shares of the Company;
- (IV) The process of review and discussion, summary of any speech and voting results of each proposal, when the voting results are recorded, and the voting status of the shareholders on each matter subject to resolution;
- (V) Shareholders' enquiries, opinions or suggestions and corresponding answers or explanations;
- (VI) Names of lawyers, vote counters and scrutinizers of the voting;
- (VII) Other contents to be included in the minutes of the meeting as specified in the shareholders' general meeting or these Articles of Association.

**Article 97** The convener shall ensure that the contents of the minutes are true, accurate and complete. The directors, the supervisors, the secretary of the Board of Directors, the convener or its representative, and the chairman of the shareholders' general meeting shall sign on the minutes of the meeting. The minutes of meeting shall be kept together with the attendance record of the attending shareholders, the power of attorney for the attendance of proxies and the valid information of voting via online or other ways for a term of not less than 10 years.

**Article 98** A shareholder shall be entitled to inspect copies of minutes of meeting(s) free of charge during office hours of the Company.

**Article 99** The convener of the meeting shall ensure that the shareholders' general meeting is held continuously until the final resolutions have been reached. In the event that the shareholders' general meeting is suspended, or the shareholders fail to reach any resolution due to force majeure or for other special reasons, necessary measures shall be taken to resume the meeting as soon as possible or the meeting shall be terminated directly, and an announcement shall be published timely. Meanwhile, the convener shall report the same to the branch of the CSRC at the place where the Company operates and the stock exchange where the Company's shares are listed on.

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

**Article 100** Resolutions of the shareholders' general meeting include ordinary resolutions and special resolutions.

An ordinary resolution at a shareholders' general meeting shall be passed by at least one half of the voting rights held by shareholders (including their proxies) attending the shareholders' general meeting.

A special resolution at a shareholders' general meeting shall be passed by two-thirds or above of the voting rights held by shareholders (including their proxies) attending the shareholders' general meeting.

**Article 101** The following matters shall be resolved by way of ordinary resolutions at a shareholders' general meeting:

- (I) Work reports of the Board of Directors and the Supervisory Committee;
- (II) Profit distribution plan and loss make-up plan formulated by the Board of Directors;
- (III) Appointment or dismissal of the members of the Board of Directors and Supervisory Committee, and their remuneration and payment methods thereof;
- (IV) Annual budget plans, final account proposals, balance sheet, income statement and other financial statements of the Company;
- (V) Annual report of the Company;
- (VI) Matters other than those requiring approval by special resolutions in accordance with the laws, administrative regulations, the listing rules of stock exchange where shares of the Company are listed or the Articles of Association.

**Article 102** The following matters shall be resolved by way of special resolutions at a shareholders' general meeting:

- (I) Increase or reduction of the registered capital of the Company, and issuance of any types of shares, warranties and other similar securities by the Company;
- (II) Issuance of corporate bonds;
- (III) Division, merger, dissolution and liquidation of the Company;
- (IV) Amendments to the Articles of Association and its appendixes (including the Rules of Procedure of the Shareholders' General Meeting, the Rules of Procedure of the Board of Directors and the Rules of Procedure of the Supervisory Committee);



- (V) Any purchase or disposal of substantial assets made by or guarantee provided by the Company within one year exceeding 30% of the latest audited total assets of the Company;
- (VI) Guarantee provided in Article 59 of the Articles of Association, except guarantee provided by the Company to its controlled subsidiary(ies);
- (VII) Share Incentive Plan;
- (VIII) Spin-off & listing of subsidiaries;
- (IX) Major assets restructuring;
- (X) The shareholders general meeting of the listed company resolves to cancel the listing and trading of its shares on the stock exchange where they are listed and decides not to trade on the exchange or to apply for trading or transfer on other stock exchange instead;
- (XI) Any other matters as required by the laws, administrative regulations, the listing rules of stock exchange where shares of the Company are listed or the Articles of Association and matters which, if resolved by way of an ordinary resolution at a shareholders' general meeting, will have a material impact on the Company and need be adopted by way of special resolutions.

The proposals referred to in the eighth and tenth items of the preceding paragraph shall be approved by at least two-thirds of the votes held by the shareholders present at the general meeting, in addition to at least two-thirds of the votes held by the shareholders other than the directors, supervisors, senior management and shareholders holding individually or in aggregate more than 5% of the shares of the listed company present at the meeting.

**Article 103** Shareholders (including proxies) shall exercise their voting rights according to the number of voting shares they represent, with one vote for each share.

When material issues affecting the interests of minority investors are considered at a shareholders' general meeting, the votes of minority investors shall be counted separately. The separate votes counting results shall be disclosed publicly in a timely manner in accordance with relevant laws, regulation and the listing rules of the stock exchange where shares of the Company are listed on.

Shares in the Company which are held by the Company do not carry any voting rights and shall not be counted in the total number of voting shares represented by shareholders attending a shareholders' general meeting.

The Board of Directors of the Company, independent directors and shareholders holding more than 1% shares with voting rights, may act as convenors, and publicly require shareholders, either by themselves or by entrusting securities firms, securities service institutions, to engage them as proxies to attend the shareholders' general meetings and exercise shareholders' rights including the right of making motion and the voting right. While soliciting the voting rights of shareholders, sufficient disclosure of information such as the specific voting preference shall be made to the shareholders from whom the voting rights is being solicited. No consideration or other form of actual consideration shall be involved in the solicitation of voting rights from shareholders. The Company shall not impose any limitation related to the minimum shareholding ratio on the solicitation of voting rights.

**Article 104** When a connected transaction is considered at a shareholders' general meeting, the related shareholders shall not vote, and the voting shares held by them shall not be counted in the total number of shares with voting rights. The announcement of the resolutions of the shareholders' general meeting shall fully disclose the voting of non-related shareholders.

When a related party transaction matter is considered at a shareholders' general meeting by the related shareholders, the related shareholder shall actively state the situation to the shareholders' general meeting and explicitly indicate that he/she will not participate in the voting. In case such shareholder fails to state the connected relation, other shareholders may request him/her to state the situation regarding the relationship and abstain from voting. If the related shareholders fail to state the situation and abstain from voting, the voting shares held by him/her shall not be counted into the total number of voting shares present at the shareholders' general meeting for the purpose of voting on a connected transaction.

If, after the conclusion of the shareholders' general meeting, other shareholders find out that any related shareholder has participated in the voting on the related party transactions, or any shareholder has objection to whether such abstaining shall apply, they shall be entitled to file a lawsuit with the People's Courts in respect of the relevant resolutions according to Article 49 of the Articles of Association.

Where the related shareholders clearly indicate to abstain from voting, other shareholders who attend the shareholders' general meeting shall consider and approve the related party transaction. The voting results will have same legal effect as other resolutions passed at the shareholders' general meeting.

**Article 105** The Company shall give priority to providing modern information technology means such as online voting platform to facilitate shareholders' participation in the shareholders' general meetings, on condition that the shareholders' general meeting shall be held legally and validly.

**Article 106** Save that the Company is under exceptional circumstances such as crisis, unless approved by way of special resolution at a shareholders' general meeting, the Company shall not enter into any contracts with any person other than the directors, general manager and other senior management personnel pursuant to which the management of all or a substantial part of the business of the Company will be given to such person.

**Article 107** The list of candidates for the directors and the supervisors shall be submitted as a proposal for voting at the shareholders' general meeting. The shareholders' general meeting shall consider the proposals regarding the election of directors and supervisors and shall vote on the director and supervisor candidates one by one.

The candidates for directors and supervisors shall be nominated in the following manners and procedures:

- (I) The nomination proposals can be submitted to the shareholders' general meeting by the Board of Directors and the Supervisory Committee in respect of the candidates for the Directors and the Supervisors other than representatives of employees respectively. Shareholders individually or jointly holding more than 3% shares of the company may recommend and nominate the candidates for the Directors and the Supervisors other than representatives of employees to the Board of Directors and the Supervisory Committee in written form. After the Board of Directors and the Supervisory Committee review the eligibility of such candidates, the proposal will be submitted to the shareholders' general meeting for election.
- (II) Employee supervisors in the Supervisory Committee shall be elected democratically by the employees at the employee representatives' meetings, employees' meetings or in other forms.
- (III) The independent Director shall be nominated by the Board of Directors, the Supervisory Committee, or shareholder(s) individually or jointly holding more than 1% of the total number of outstanding shares with voting rights.

When the shareholders nominate the Directors (including the independent Directors) or Supervisor(s), the nomination proposal, details of the nominated candidates, declaration or undertaking of the candidate shall be submitted to the Board of Directors, the Supervisory Committee before the shareholders' general meeting is held. The final candidates for the Directors (including the independent Directors) and the Supervisors shall be determined by the Board of Directors and the Supervisory Committee, which shall be responsible for examining the qualifications of candidates. The shareholders' general meeting shall not elect a candidate who has not been qualified as a Director or Supervisor from representatives of the shareholders.

The votes on the election of the Directors or Supervisors may be carried out by way of cumulative voting at the shareholders' general meeting pursuant to the Articles of Association or resolution of the shareholders' general meeting.

The aforesaid cumulative voting means that when the Directors or Supervisors are being elected at a shareholders' general meeting, each share has as many voting rights as the number of Directors or Supervisors to be elected, and the shareholders' voting rights may be used in a concentrated manner. The Board of Directors shall provide shareholders with the brief biographies and background information of the candidates for the Directors or Supervisors.

**Article 108** In addition to the cumulative voting system, the shareholders' general meeting shall resolve on all the proposals separately; in the event of several proposals for the same issue, such proposals shall be voted on and resolved in the order of time at which they are submitted. Unless the shareholders' general meeting is adjourned or no resolution can be made for special reasons such as force majeure, voting of such proposals shall neither be shelved nor refused at the shareholders' general meeting.

**Article 109** When considering a proposed resolution at a shareholders' general meeting, no amendments shall be made thereto. Otherwise, any change made thereto shall be considered as a new proposed resolution, of which the voting shall not proceed in that meeting.

**Article 110** The same vote may only be cast once at the location of a shareholders' general meeting, by online voting or other means of voting. In the event of multiple casting of the same vote, only the outcome of the first casting of such vote shall be counted.

**Article 111** When the shareholders' general meeting is held by voting on the spot, voting at shareholders' general meeting shall be conducted by show of hands unless voting by ballot is specifically required according to the relevant provisions of the securities regulatory authority in the place where the stocks of the Company are listed, or otherwise required by the laws and regulations or is required before or after the voting by show of hands by the following persons:

- (I) The chairperson of the meeting;
- (II) At least two shareholders with voting rights or proxies thereof;
- (III) Shareholder(s) (including proxies thereof) severally or jointly holding more than 10% (inclusive) of shares with voting rights at the meeting.

Unless voting by ballot is specifically required by the relevant provisions of the securities regulatory authority in the place where the stocks of the Company are listed, or otherwise required by the laws and regulations, or a poll is demanded, the chairperson of the meeting shall declare the result of a proposal put to vote on a show of hands and the record of such in the minutes of the meeting shall be conclusive evidence. There is no need to provide evidence of the number or proportion of the votes recorded in favor or against such resolution at the meeting.

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

**Article 112** A poll demanded on such matters as the election of the chairperson 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 chairperson 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 113** On a poll taken at a meeting, a shareholder (including proxy) entitled to two or above votes need not cast all his votes for, or against in the same way.

**Article 114** In case of an equality of votes, whether on a show of hands or on a poll, the presider of the meeting shall have a casting vote.

**Article 115** At any shareholders' general meeting, voting shall be conducted by open ballot.

**Article 116** Before the relevant proposed resolution is voted on at the shareholders' general meeting, two representatives of the shareholders shall be elected to take part in counting the votes and scrutinizing the conduct of the poll. Any shareholder who is interested in the matter under consideration and his/her proxy shall not take part in counting the votes or scrutinizing the conduct of the poll.

When votes are cast on proposals at the shareholders' general meeting, lawyers, representatives of the shareholders and the representative of supervisors shall be jointly responsible for scrutinizing and counting votes and shall announce the voting results at the meeting. The voting result shall be recorded in the meeting minutes.

Shareholders of the Company or their proxies, who have cast their votes by online voting or other means, shall have the right to check the voting results in the system in which they have cast their votes.

**Article 117** The ending time of a shareholders' general meeting shall not be earlier than that of online access to the meeting or meeting delivered through other means. The chairperson of the meeting shall announce the status and results of voting in respect of each proposed resolution on the spot, and whether or not such proposed resolution has been passed according to such voting results. His decision shall be final and shall be announced at the meeting and recorded in the minutes.

Prior to the formal announcement of voting results, the relevant parties including the companies, the persons responsible for counting votes and scrutinizing the conduct of the relevant poll, the major shareholders, and the person in charge of the relevant internet service provider involved in relation to voting at the shareholders' general meeting, online voting or other means of voting, shall be obliged to keep the status of voting confidential.

**Article 118** A shareholder attending a shareholders' general meeting shall express one of the following opinions on any proposal to be voted on: pro, con or abstention, except that securities registration and settlement institutions, being the nominal holders of shares subject to the Mainland-Hong Kong stock connect, may express opinions according to the intentions of actual holders.

Blank, wrong, illegible or uncast votes shall be deemed as the voters' waiver of their voting rights, and the voting results representing the shares held by such voters shall be counted as "abstentions".

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

**Article 119** If the chairperson of the meeting has any doubt about the result of the resolution submitted for voting, he/she may conduct a vote-counting. If the chairperson of the meeting does not conduct a vote-counting, and the shareholders or proxies attending the meeting have any doubt about the results announced by the chairperson of the meeting, they shall have the right to ask for a vote-counting immediately after the announcement of the voting results, and the chairperson of the meeting should immediately conduct the vote-counting.

If there is a vote-counting at a shareholders' general meeting, the counting results shall be recorded in the minutes. The minutes together with the attendance book of shareholders attending the meeting and the forms of proxy shall be kept at the Company's residence.

**Article 120** Resolutions of the shareholders' general meeting and the legal opinion letter shall be disclosed on the qualified media on the date of the conclusion of the shareholders' general meeting. The announcement shall specify the number of attending shareholders and their proxies, the total number of voting shares they represent and the proportion of these shares to the total number of the voting shares of the Company, the voting method, the voting results for every proposal and the details of each of the resolutions passed.

**Article 121** Where a proposal has not been passed or the resolutions of the preceding shareholders' general meeting have been changed at the current shareholders' general meeting, special mention shall be made in the announcement of the resolutions of the shareholders' general meeting.

**Article 122** If the proposal on election of director or supervisor is passed at the shareholders' general meeting, the new director or supervisor shall assume office from the date passing the resolutions of the shareholders' general meeting.

**Article 123** Where a proposed resolution in relation to the payment of cash dividends, the issue of bonus shares or the capitalization of capital reserves has been passed at a shareholders' general meeting, the Company shall implement the specific plans within two months after the conclusion of the shareholders' general meeting.

## **CHAPTER 5 BOARD OF DIRECTORS**

### **Section 1 Directors**

**Article 124** Directors shall be elected or replaced at the shareholders' general meeting with the term of office of 3 years. Upon maturity of the current term of office, a director shall be eligible to offer himself for re-election and reappointment. A director cannot be removed without cause by the General Meeting of Shareholders before the expiration of his or her term of office.

A written notice to be delivered to the Company stating the intention to nominate a candidate for the position of director and the candidate's consent to be nominated in writing shall be delivered to the Company at least seven days in advance.



In accordance with relevant laws and administrative regulations and requirements of the securities regulatory authority where the Company's shares are listed, a director whose terms of office has not expired can be removed at the shareholders' general meeting by an ordinary resolution (however, claims for compensation pursuant to any contract will not be affected). Applicable circumstances include, but are not limited to, circumstances under which a director is prohibited from holding such position under laws, administrative regulations, departmental rules, normative documents, the listing rules of the stock exchange where the Company's shares are listed, and the Articles of Association, or circumstances under which the Company's interests are jeopardized as a result of failing to fulfill the obligations of fidelity and diligence.

The terms of office of director commences on the date of appointment to the expiry of the term of the session of the Board of Directors. Where a director has not been timely re-elected at the expiry of the term of office, prior to the assumption by the re-elected director, the former director shall perform his/her duty as a director in accordance with laws, administrative regulations, departmental rules, the listing rules of the stock exchange on which the shares of the company are listed and the provision of this Articles of Association.

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 general manager 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.

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

**Article 125** A director shall comply with the laws, administrative regulations, departmental rules, regulatory documents, the listing rules of the stock exchange on which the shares of the Company are listed and other relevant provisions of these Articles of Association, and perform the following duties of fidelity and diligence to safeguard the interests of the listed company:

- (I) To protect the safety and integrity of the Company's assets, not to misappropriate the Company's funds and usurp the Company's property, and not to use their positions to harm the Company's interests for the benefit of the Company's actual controller, shareholders, employees, themselves or other third parties;
- (II) Not to seek business opportunities belonging to the Company for himself or herself and his or her close family members without the consent of the shareholders' general meeting of shareholders, and not to engage himself or herself or entrust others to operate similar businesses of the Company;
- (III) To ensure that he has sufficient time and energy to participate in the affairs of the Company, to pay continuous attention to events that may have a significant impact on the production and operation of the Company, to report to the Board of Directors in a timely manner on problems in the Company's business activities, and not to shirk his responsibilities on the grounds that he is not directly engaged in business management or is not aware of them;



- (IV) To in principle attend the Board of Directors in person and prudently assess the risks and benefits that may arise from matters concerned; if for any reason a director cannot attend the Board of Directors in person, he or she should choose and appoint a proxy cautiously;
- (V) To actively promote the compliant operation of the Company, to supervise the Company's true, accurate, complete, fair and timely performance of its information disclosure obligations, and to promptly correct and report on the Company's violations of law and regulations;
- (VI) To promptly report to the Board of Directors and supervise the Company's performance of its information disclosure obligations when it learns that the Company's shareholders, de facto controllers and their associates have misappropriated the Company's assets, abused their control and other circumstances that harm the interests of the Company or other shareholders;
- (VII) To strictly fulfill the commitments made;
- (VIII) Other duties of fidelity and diligence as stipulated in laws and regulations, the provisions of the CSRC and the listing rules of the stock exchange on which the shares of the Company are listed, and these Articles of Association.

**Article 126** 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 127** A director may resign before expiry of his/her term of service. When a director resigns, he/she 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 number of directors falls below the minimum statutory requirement due to a director's resignation, the former director shall still perform his/her duties as a director in accordance with the requirements of laws, administrative regulations, departmental rules, the listing rules of the stock exchange on which the shares of the Company are listed and the Articles of Association prior to the appointment of the re-elected director. The Board of Directors shall convene an extraordinary general meeting as soon as possible to elect directors to fill the vacancies arising from the resignation of directors. The term of office of the replacement directors shall be limited to the remaining period of the previous 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 128** When a director's resignation comes 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. Their duty of confidence in relation to trade secrets of the Company survives their termination of tenure until such trade secrets become public information. The continuance of 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 129** No directors shall act, in their personal capacity, on behalf of the Company or the Board of Directors in contravention of provisions of the Articles of Association or without appropriate authorization by the Board of Directors. A director 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 of Directors.

**Article 130** A director shall be personally liable for any loss suffered by the Company as a result of a violation by him/her of any laws, administrative regulations, departmental rules, the listing rules of the stock exchange on which the shares of the Company are listed or these Articles of Association in the course of performing his/her duties.

**Article 131** The Company has independent directors. The terms of appointment, nomination and election procedures, tenure of office, resignation and powers of independent directors shall be carried out in accordance with the relevant provisions of laws, administrative regulations, departmental rules, the requirements of CSRC and the listing rules of the stock exchange on which the shares of the Company are listed.

An independent director may resign before the expiration of his or her term of office. If at any time the independent directors of the Company do not meet the quorum, qualification or independence requirements set out in the Hong Kong Listing Rules, the Company shall immediately notify the Hong Kong Stock Exchange and make an announcement stating the relevant details and reasons and appoint a sufficient number of independent directors to meet the requirements of the Hong Kong Listing Rules within three months after the occurrence of the non-compliance condition.

For independent directors who are not qualified or competent as independent directors, fail to perform their duties independently or fail to safeguard the legitimate rights and interests of the Company and the small and medium shareholders, shareholders who individually or collectively hold more than one percent of the shares of the Company may submit a proposal to the Board of Directors of the Company to challenge or remove an independent director. The independent director concerned shall promptly explain the challenged matters and disclose them.

The Board of Directors of the Company shall promptly convene a special meeting to discuss the matter after receiving the relevant challenge or proposal for removal and disclose the results of the discussion.

## **Section 2 Board of Directors**

**Article 132** The Company shall have a Board of Directors which shall report to the shareholders' general meeting.

**Article 133** The Board of Directors shall consists of 9 directors including three independent directors, one chairman and one vice chairman.

**Article 134** The Board of Directors shall exercise the following powers:

- (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 issuance and listing of bonds or other securities;
- (VII) To formulate plans for any substantial acquisition by the Company and repurchase of the shares of the Company, merger, division, dissolution and change in the form of the Company;
- (VIII) To decide, as authorized by the shareholders' general meetings, on matters relating to the Company's external investment, acquisitions or disposal of assets, mortgage of assets, external guarantees, entrusted wealth management and connected transactions;
- (IX) To make decisions on the establishment of the Company's internal management bodies;
- (X) Based on the nomination by the chairman of the Board of Directors, to appoint or dismiss the Company's general manager and the secretary to the Board of Directors and to determine their remuneration, rewards and punishments; based on the nomination by the general manager, to appoint or dismiss deputy general managers, Chief Financial Officer and other senior management officer(s) of the Company and to determine their remuneration, incentives and punishments;
- (XI) To formulate the basic management system of the Company;
- (XII) To formulate proposals for amendments to the Articles of Association;

- (XIII) To manage information disclosure of the Company;
- (XIV) To propose to the shareholders' general meeting to appoint or change the accounting firm that provides auditing services for the Company for the current financial year;
- (XV) To listen to the work report and inspect the work of the general manager;
- (XVI) To decide to repurchase shares of the Company in the circumstances specified in clauses (III), (V) and (VI) of Article 25 of these Articles of Association;
- (XVII) Other functions and powers provided by laws, administrative regulations, departmental rules, the listing rules of the stock exchange on which the shares of the Company are listed, these Articles of Association and the shareholders' general meeting.

In respect of the Board of Directors' resolutions relating to matters specified above, except for clauses (VI), (VII) and (XII) and as other matters specified by laws, administrative regulations, departmental rules, the listing rules of the stock exchange on which the shares of the Company are listed and these Articles of Association that shall be passed by not less than two-thirds of all directors, the remaining resolutions may be passed by more than half of all directors.

For matters outside of the scope of authorization by the shareholders' general meeting shall be submitted to the shareholders' general meeting for consideration.

**Article 135** The Board of Directors of the Company 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 136** The Board of Directors shall formulate rules of procedure of the Board of Directors to ensure the Board of Directors will execute the resolutions of the shareholders' general meeting, improve work efficiency and guarantee scientific decision making.

The Rules of Procedure of the Board of Directors shall be annexed to these Articles of Association and shall be prepared by the Board of Directors and implemented upon approval by the shareholders' general meeting.

**Article 137** The Board of Directors shall define the authority required for foreign investments, acquisition and sale of assets, pledge of assets, external guarantee matters, entrusted wealth management and connected transactions, and establish rigorous review and decision-making procedures. Major investment projects shall be evaluated by relevant experts and professionals and reported to the shareholders' general meeting for approval.

- (I) The transactions referred to in this Article are the same as those stipulated in clause (I) of Article 58 of these Articles of Association.

(II) Transactions (other than the provision of guarantees and financial assistance) made by the Company shall be submitted to the Board of Directors for consideration if they meet one of the following criteria:

1. Total assets involved in the transaction account for more than 10% of the Company's latest audited total assets. If both book value and appraised value are available for the total assets involved in the transaction, the higher value shall be used as the basis for calculation;
2. Operating revenue arising from the subject matter of the transaction (e.g. equity interest) for the latest fiscal year accounts for more than 10% of the audited operating revenue of the Company for the latest fiscal year, and the absolute amount exceeds RMB10 million;
3. Net profit arising from the subject matter of the transaction (such as equity interest) for the latest fiscal year accounts for more than 10% of the audited net profit of the Company for the most recent fiscal year, and the absolute amount exceeds RMB1 million;
4. Transaction amount (after accounting for debts assumed and expenses incurred) of the transaction accounts for more than 10% of the Company's latest audited net assets, and the absolute amount exceeds RMB10 million;
5. Profit generated from the transaction accounts for more than 10% of the audited net profit of the Company for the latest fiscal year, and the absolute amount exceeds RMB1 million.

If the data involved in the calculation of the above indicators is negative, the absolute value will be adopted.

(III) The Board of Directors shall have the right to approve any connected transaction having a total transaction amount exceeding RMB300,000 entered into between the Company and a connected natural person, or having a total transaction amount exceeding RMB3,000,000 and accounting for more than 0.5% of the absolute value of the Company's latest audited net assets entered into between the Company and a connected legal person. For any identical connected transactions conducted within a 12 months' period, the cumulative transaction amount for the period shall be used for purpose of calculation.

If the transaction (except for the provision of guarantees) entered into between the Company and the connected parties has a transaction amount exceeding RMB30 million and accounts for more than 5% of the absolute value of the Company's latest audited net assets, it shall be submitted to the shareholders' general meeting for consideration. For any identical connected transactions conducted within a 12 months' period, the cumulative transaction amount for the period shall be used for purpose of calculation.

(IV) The Company's external guarantees shall follow the following requirements.

1. the Company's external guarantees must be considered by the Board of Directors or the shareholders' general meeting. The Board of Directors shall have the right to approve the external guarantees other than those required to be submitted to the shareholders' general meeting for consideration and approval as specified in the provisions of these Articles of Association.
2. the provision of an external guarantee shall be considered and approved by at least two-thirds of the directors present at the Board of Directors' meeting.

(V) The provision of financial assistance by the Company shall be approved by way of resolution by at least two-thirds of the directors present at the meeting of the Board of Directors, and the related information disclosure obligations shall be fulfilled in a timely manner. The provisions stated herein does not apply to financial assistance provided to subsidiaries controlled by the Company with its accounts consolidated into the Company's consolidated statements and more than 50% of its share interests held by the Company, where no other shareholders of such holding subsidiary are the controlling shareholder, the actual controller and their associates of the Company.

If they fall within the scope of the above authorization but are required by laws and regulations or deemed necessary by the Board of Directors to be reported to the shareholders' meeting for approval, they shall be submitted to the shareholders' meeting for consideration.

**Article 138** When the Board of Directors disposes of fixed assets, if the sum of the expected value of the fixed assets to be disposed of and the value obtained from the fixed assets already disposed of in the four months prior to this proposed disposal exceeds 33% of the value of the fixed assets as shown in the balance sheet recently considered by the shareholders' general meeting, the Board of Directors shall not dispose of or agree to dispose of such fixed assets without the approval of the shareholders' general meeting.

Disposal of fixed assets referred to in this Article includes the act of transferring interests in certain assets, but does not include the act of providing fixed assets as guarantees.

The validity of the transactions carried out by the Company in disposing of fixed assets shall not be affected by a violation of the first paragraph of this Article.

**Article 139** The chairman or deputy chairman of the Board of Directors shall be a director of the Company and elected by a majority of all the directors of the Board of Directors.

**Article 140** The chairman of the Board of Directors shall exercise the following powers:

- (I) To preside over the shareholders' general meeting, and to convene and preside over the meetings of the Board of Directors;
- (II) To urge and check the implementation of Board of Directors' resolutions;

- (III) To sign the shares, bonds and other negotiable securities issued by the Company;
- (IV) To sign material documents and other documents needed to be signed by the Company's legal representative;
- (V) To exercise other powers as a legal representative;
- (VI) In the event of emergency of force majeure such as catastrophic natural disaster, to enforce special discretion on Company affairs in accordance with provision of laws and interest of the Company, reporting to the Board of Directors of the Company or the shareholders' general meeting afterwards;
- (VII) Other functions and powers conferred by the Board of Directors.

**Article 141** Vice chairman of the Board of Directors shall assist the work of Chairman of the Board of Directors. Whereas the chairman is unable or fail to perform his duties, the vice chairman shall perform the duties; if the vice chairman unable or fail to perform his duties, one director elected by a majority of directors shall perform the duties.

**Article 142** Meeting of the Board of Directors shall be held at least 4 times a year and be convened by the chairman of the Board of Directors. A notice shall be given to all directors and supervisors 14 days before the date of the proposed meeting.

**Article 143** A special meeting of the Board of Directors may be convened upon requisition by either shareholder holding 10% or more of voting shares, or one-third or more of directors or the Supervisory Committee. The chairman of the Board of Directors shall convene and hold the meeting of the Board of Directors within 10 days after receiving the requisition.

**Article 144** Notice to convene an extraordinary meeting of the Board of Directors may be served by, including but not limited to: telephone, fax, mail, e-mail, and personal delivery. The latest time for notification is: 3 days before the meeting is held.

In case of emergency and that it is necessary to convene an extraordinary meeting of the Board of Directors as soon as possible, notice of the meeting may be given by telephone or other oral means at any time, but the convener shall give an explanation at the meeting.

**Article 145** The notice of meeting of the Board of Directors includes the following contents:

- (I) Date and place of the meeting;
- (II) The duration of the meeting;
- (III) The subjects and topics to be considered;
- (IV) The date when the notice is served.



**Article 146** Meeting of the Board of Directors shall be held only when more than half of the directors attend the meeting. Unless stipulated otherwise in the Articles of Association, the Board of Directors' resolutions must be voted for by more than half of all the directors.

A director shall have one vote when voting on a resolution of the Board of Directors. Each director shall have one vote. In the case of an equality of negative votes and affirmative votes, the chairman of the Board of Directors shall have the casting vote.

**Article 147** When the directors have connected relationship with the enterprise involved in the resolution to be passed at the meeting of the Board of Directors, he/she shall not vote in respect of such resolution and shall not vote on behalf of other directors. Such meeting of the Board of Directors shall be held in the attendance of more than half of the directors without connected relationship. All resolutions to be passed at the shareholders' general meeting shall be passed by a majority of the directors without connected relationship.

If number of the directors without connected relationship attending the meeting is less than 3, such matter shall be resolved at the shareholders' general meeting.

**Article 148** The voting method for the resolutions of the Board of Directors shall be by open ballot or show of hands.

Extraordinary meetings of the Board of Directors may be held virtually with circulation of resolutions (including the delivery of meeting materials by hand, mail, fax, and e-mail), by telephone conference, or by video conference, and resolutions may be passed by circulation when signed by the participating directors, provided that the directors fully express their opinions.

**Article 149** 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/she may authorize in writing another director to attend on his/her behalf. In case the director is an independent director, he or she shall appoint another independent director. A power of attorney shall indicate the name of the proxy, matters of entrustment, the scope of authorization 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/she shall be deemed to have waived his/her voting rights at the meeting.

**Article 150** The Board of Directors shall keep minutes of resolutions on matters discussed at relevant meetings. The minutes shall be signed by the directors and the person who recorded the minutes present at such meetings. Directors present at such meeting are entitled to have their speeches at the meeting descriptively recorded in the minutes.

Board of Directors meeting minutes shall be kept as the Company's records for at least 10 years.

**Article 151** The minutes of meetings of the Board of Directors shall include the following:

- (I) The date, place and name of convener of the meeting;
- (II) The names of the directors present and the directors (proxies) entrusted by others to attend the meeting of the Board of Directors;
- (III) The agenda of the meeting;
- (IV) Key points of directors' speeches;
- (V) The method of voting and result of each resolution (the voting results shall indicate the number of votes for, against or abstaining from a resolution).

**Article 152** Directors shall sign on and shall be liable for the resolutions of the Board of Directors. If a resolution of the Board of Directors violates laws, regulations, the Articles of Association or resolutions of shareholders' general meeting, which causes serious losses to the Company, the directors who voted for the resolution shall be liable to compensate the Company for the losses; if it can be proved that a director voted against the resolution expressly when the resolution was voted on, such director shall be waived from such liability.

### **Section 3 Independent Directors**

**Article 153** The Board of Directors shall consist of at least one-third of independent directors, and at least one of them shall be a professional accountant in compliant with the requirements of the Hong Kong Listing Rules. The independent directors have the obligation of fiduciary and diligence to the Company and all shareholders. The independent directors must, in accordance with the requirements of related laws and regulations and the Articles of Association, carefully perform its duties and protect the overall interests of the Company, especially in monitoring any conditions to prevent impairment of the lawful rights and interests of public shareholders.

The independent directors shall perform its duties independently without being affected by the major shareholders and the actual controller of the Company or other interested entities or individuals.

**Article 154** The independent directors shall attend meeting of the Board of Directors as scheduled, in order to understand the production and operation of the Company, actively investigate and obtain necessary information for making decision. The independent directors shall submit to the annual general meeting of the Company the annual report of all independent directors stating the performance of their duties.

**Article 155** Independent directors shall maintain their independence, ensure that they have sufficient time and energy to perform their duties conscientiously and effectively, pay continuous attention to the situation of the Company, carefully review all documents and express independent opinions objectively. In exercising their powers, the independent directors shall pay special attention to whether the relevant deliberations and procedures comply with the requirements in the relevant documents issued by the SFC and other regulatory authorities.

**Article 156** Independent directors shall verify the contents of the resolutions of the Board of Directors announced by the Company and take the initiative to examine the reports and information about the Company. Where it is found that there may be material matters not submitted to the Board of Directors or the shareholders' general meeting for consideration as required, that the Company has not fulfilled its obligations of information disclosure in a timely or appropriate manner, that there may be false records, misleading statements or material omissions in the information released by the Company, that the production and operation may be in violation of laws, regulations or the Articles of Association, and other circumstances suspected of being in violation of laws and regulations or damaging the rights and interests of public shareholders, they shall proactively inspect the situation and promptly make written inquiries to the Company and urge the Company to effectively rectify or publicly clarify the situation.

**Article 157** The Company shall establish a working system of the independent directors, and the Company and its senior management shall actively cooperate with the independent directors in performing their duties. The Company shall ensure that the independent directors enjoy the same right to information as other directors, provide relevant materials and information to the independent directors in a timely manner, regularly inform them of the Company's operation, and organize site visits for the independent directors when necessary.

**Article 158** If an independent Director cannot fulfill the independence qualification or is unsuitable to carry out the duties of an independent Director, resulting in the number of independent Directors falling below the minimum requirement as stipulated by these Articles of Association, the Company shall make up the shortfall to maintain a sufficient number of independent Directors according to the stipulations.

**Article 159** Independent directors and persons proposed for appointment as independent Directors shall comply with the requirements of the securities regulatory authority of the place of listing of the Company and attend training provided by the securities regulatory authority of that place and its authorized institutions.

**Article 160** The independent directors shall meet the following requirements:

- (I) To have the qualification of acting as a director of a Company according to the laws, administrative regulations and other relevant requirements specific to the place of listing of the Company;
- (II) have the independence required by the Rules for Independent Directors of Listed Companies, and independent directors should also meet the requirements on "independent non-executive directors" of the Hong Kong Listing Rules;
- (III) To have the basic understanding of operation of the Company and be familiar with the relevant laws, administrative regulations, regulatory provisions and rules of the place of listing of the Company;
- (IV) To possess five or more years of experience in law, economics or other necessary duties as an independent director;

- (V) Independent directors and individuals who intend to act as independent directors shall participate in the training organized by the CSRC and its authorized institutions in accordance with the provisions.

**Article 161** The following persons are not allowed to be the independent director:

- (I) Employees of the Company or its associated companies and their immediate family members, major social relationships (immediate family refers to the spouse, parents, and children, etc.; major social relationships refer to the brothers and sisters, parents-in-law, daughters-in-law and sons-in-law, spouses of siblings and siblings of spouse, etc.);
- (II) Natural person shareholders and their immediate family member holding, directly or indirectly, 1% or more of issued shares of the Company or the top ten largest shareholders;
- (III) Corporate shareholder holding, directly or indirectly, 5% or more of the issued shares of the Company or employees of the top five largest corporate shareholders and their immediate family members;
- (IV) Persons falling in one of the above-mentioned in the preceding year;
- (V) Persons that provide the financial, legal and consulting services to the Company or its affiliated companies;
- (VI) Other persons who concurrently serve as independent director for five (5) listed companies;
- (VII) The persons whose appointment will affect the independence as an independent director as specified by the Hong Kong Listing Rules;
- (VIII) Other persons as identified by the securities regulatory authority of the place of listing of the Company.

**Article 162** Nomination, election and replacement of the independent directors.

- (I) The Board of Directors, Supervisory Committee or shareholders holding 1% of more of issued shares of the Company may nominate the candidates for independent directors and be elected at the shareholders' general meeting.
- (II) The nominator of independent directors shall obtain the nominee's consent before the nomination. The nominator shall understand the occupation, education background, professional title and detailed work experiences as well as all the parttime position of the nominee, and express his/her opinion on the qualification and independence of the nominee as an independent director. The nominee shall make a public declaration that no relationship between himself/herself and the Company would impact on his/her independence.

Before the convening of the shareholders' general meeting for electing the independent directors, the Board of Directors of the Company shall announce the abovementioned content as required.

- (III) When the Company releases a notice of shareholders' meeting convened for the election of independent directors, it shall submit the nominee statements, candidate statements and biographical information of all candidates for independent directors to the stock exchange on which the Company's shares are listed for filing. Should the Board of Directors of the Company disagree to the relevant information of a candidate for independent director, related written opinions of the Board of Directors shall be filed as well.

The stock exchange on which the Company's shares are listed shall, within five trading days of receipt of the above materials, examine the qualifications of the candidates for independent director. Any candidates for independent directors to whom the stock exchange on which the Company's shares are listed has raised objection may not be proposed to the shareholders' meeting for consideration.

On the shareholders' general meeting for electing the independent directors, the Board of Directors of the Company shall state whether the stock exchange on which the Company's shares are listed has any objections to the candidate for independent directors.

- (IV) The terms of office for each independent director shall be the same as the other Directors of the Board of Directors. Upon the expiry of the term of office, the independent directors may be re-elected or reappointed; however, the period of reappointment shall not exceed six years.
- (V) If the independent directors fail to attend the meeting of the Board of Directors in person for three consecutive times, the Board of Directors may propose to the shareholders' general meeting to remove such independent director.

Except the abovementioned situation and the situation as stipulated in the Company Law that he/she is not allowed to be the directors, the independent directors shall not be removed before the expiry of his terms of office without good cause. For any pre-mature removal, the Company shall disclose special matter for disclosure. If the independent director being removed is of the view that the reason for removal is inappropriate, he shall make public declaration.

- (VI) An independent director may resign before the expiry of his/her term of office. The independent director shall submit the written resignation letter to the Board of Directors and state any matter which is relevant to his/her resignation or he/she consider that it would be necessary to draw the attention of the shareholder and creditor of the Company.

Should resignation of an independent directors reduces the number of independent directors or the number of directors in the Board of Directors to less than the statutory quorum or minimum number as required by the Articles of Association, the independent directors shall still perform their duties in accordance with the laws, administrative regulations and the provisions of these Articles of Association before the re-elected independent director takes office. The Board of Directors shall convene a shareholders' general meeting to re-elect independent directors within two months, and in case of absence of such meeting, the independent director concerned may no longer perform their duties.

**Article 163** Independent directors shall perform and exercise the following specific duties and powers:

1. any connected transactions required to be brought forth to a shareholders' meeting for examination shall be endorsed by independent Directors before presented for review on a meeting of the Board of Directors. Prior to making any judgment, independent Directors may hire an intermediary institution to prepare a special report for consideration;
2. to propose to the Board of Directors on engagement or removal of the accounting firm;
3. to propose to the Board of Directors to convene extraordinary general meetings;
4. to collect the opinions of small and medium shareholders, propose plans for profit distribution and capitalization of capital reserve, and submit them to the Board of Directors for consideration;
5. to propose to hold meetings of the Board of Directors;
6. to engage independently external auditors and consulting firms;
7. to publicly solicit voting rights from shareholders prior to shareholders' general meetings. No compensation or compensation in disguise shall be paid for such solicitation.

**Article 164** For independent directors to exercise the above powers, at least half of all independent Director's approval shall be obtained. The exercise of the powers and functions set forth in the sixth item of the preceding Article shall be approved by all independent directors. Matters in items 1 and 2 of the preceding Article shall be submitted to the Board of Directors for discussion only with the consent of at least one-half of the independent directors. In the event that the abovementioned proposals have not been adopted or the above powers cannot be exercised normally, the Company shall disclose such situations.

**Article 165** Apart from the duties set forth above, independent directors shall also express their independent opinions on the following major matters:

1. nomination or removal of directors;

2. appointment or removal of senior management;
3. remuneration of directors and senior management of the Company;
4. formulation, adjustment, decision-making procedures, implementation and information disclosure of the Company's cash dividend policy, and whether the profit distribution policy has damaged the legitimate interests of small and medium investors;
5. major matters that need disclosure such as connected transactions, provision of guarantees (excluding guarantees to subsidiaries within the scope of consolidation), entrustment of financial management, provision of external financial assistance, matters relating to use of proceeds, the Company's change in accounting policies as well as investments in shares and derivatives thereof;
6. major asset restructuring proposals, equity incentive plans, employee share ownership plans, and share repurchase proposals;
7. the Company's proposed decision that its shares will no longer be traded on the Shenzhen Stock Exchange, or instead application for trading or transfer at other trading venues;
8. the employment and dismissal of accounting firms;
9. making changes in accounting policies, accounting estimates or corrections of significant accounting errors for reasons other than changes in accounting standards;
10. financial accounting reports and internal controls of listed companies issued by accounting firms with non-standard unqualified audit opinions;
11. the internal control evaluation report;
12. programs for changes in commitments by relevant parties;
13. the impact of preferred share issuance on equity of all types of shareholders of the company;
14. matters that the independent directors believe may harm the rights and interests of small and medium shareholders;
15. other matters stipulated by relevant laws, administrative regulations, departmental rules, regulatory documents, business rules of the stock exchange where the shares of the Company are listed as well as the Articles of Association.



**Article 166** Each of the independent directors shall provide his or her comments on the above issues: either agreeing to the relevant proposal; reserving his opinion with reasons; objecting to the relevant proposal with reasons; or expressing his or her views as not being able to provide his or her comments and the difficulties thereof. The opinions expressed by the independent directors shall be specific and unambiguous.

**Article 167** The Company shall provide the working conditions necessary for independent directors effectively performing their special duties.

- (I) The Company shall ensure that independent directors enjoy the same right to information as other directors. The Company shall notify the independent directors in advance of any matters that require a decision by the Board of Directors and provide sufficient information at the same time. If the independent directors consider that the contents of the matters to be considered by the Board of Directors is unclear, non-specific or the relevant information is insufficient, they may request the Company to provide additional information or further explanation. If two or more independent directors consider that the information on the matters to be considered is insufficient or the arguments are unclear, they may jointly propose in writing to the Board of Directors to postpone the Board of Directors' meeting or the consideration of the relevant matters, and the Board of Directors shall accept such proposal.

Information provided by the Company to an independent director shall be retained by the Company and the independent director himself or herself for at least five years.

- (II) The Company shall provide the working conditions necessary for the independent directors to perform their duties. The secretary of the Board of Directors of the Company shall actively provide assistance to the independent directors in their performance of duties, such as introducing the status and providing materials. Where independent opinions, proposals and written explanations by independent directors shall be announced, the secretary of the Board of Directors shall promptly access the stock exchange for such announcements. Independent directors shall have the right to request the Company to disclose the status of proposals made by them but not adopted by the Company and the reasons for not adopting such proposals.
- (III) When an independent director exercises his or her powers and responsibilities, relevant personnel of the Company shall actively cooperate and shall not refuse, obstruct or conceal or interfere with his or her independent exercise of powers and responsibilities; if an independent director encounters any obstruction in the exercise of his or her powers and responsibilities, he or she may explain the situation to the Board of Directors of the Company and request the senior management or the secretary of the Board of Directors to cooperate.
- (IV) The fees for the independent directors to engage an intermediary and other expenses incurred in the exercise of their duties and responsibilities shall be borne by the Company.

- (V) The Company shall provide appropriate allowance to independent directors. The criteria for the allowance shall be formulated by the Board of Directors, considered and approved by the shareholders in a shareholders' general meeting and disclosed in the Company's annual report.

Save for the above allowance, independent directors shall not receive additional and other undisclosed benefits from the Company and major shareholders or interested organizations and personnel of the Company.

#### **Section 4 Special Committees of the Board of Directors**

**Article 168** The Board of Directors shall set up an audit committee, and may establish special committees for strategy, nomination, remuneration and appraisal as needed. All members of the special committees shall be composed of directors, and more than half of the directors in the nomination, audit, remuneration and appraisal committees shall be independent directors, while at least one independent director shall be an accounting professional in the audit committee, and the convener of the audit committee should be an accounting professional.

**Article 169** The Nomination Committee shall actively identify suitable candidates to serve as directors of the Company, shall play an active role in the nomination and qualification review of directors, and shall regularly express its views of or make recommendations on the structure, size and composition of the Board of Directors.

**Article 170** The Strategy Committee shall study and advise on the Company's long-term development strategies and major investment decisions.

**Article 171** The Audit Committee shall make recommendations on the formulation of and amendment to the Company's governance related system, effectively supervise implementation of resolutions of the Board of Directors by the senior management of the Company, regularly conduct self-examination and supervise rectification of corporate governance status, and promote the Company to continuously innovate its governance mechanism based on actual situation to form a governance mechanism with own characteristics.

The Audit Committee may engage an independent intermediary to conduct an objective review of the current status of governance of the Company, and make recommendations for improvement to the Board of Directors and the shareholders' general meeting.

**Article 172** The Remuneration and Appraisal Committee shall make recommendations to the Board of Directors on the remuneration of internal directors and senior management, and at the same time shall make recommendations on the resignation and removal of directors and senior management for non-compliance and non-performance of duties.

**Article 173** All special committees may engage intermediaries to provide professional opinions for their decisions at the reasonable expense of the Company.

**Article 174** All special committees shall be accountable to the Board of Directors, and proposals of all special committees shall be submitted to the Board of Directors for review and decision.

### **Section 5 Secretary to the Board of Directors**

**Article 175** The Board of Directors shall have a Secretary of the Board of Directors, who shall be the senior management of the Company and shall be responsible to the Company and the Board of Directors.

**Article 176** The secretary of the Board of Directors shall have the necessary professional knowledge and experience and shall be appointed by the Board of Directors.

The circumstances under which one may not serve as a Director of the Company as provided in these Articles shall apply to the Secretary of the Board of Directors.

**Article 177** The principal duties of the Secretary of the Board of Directors shall be as follows:

- (I) To ensure that the Company has complete organizational documents and records;
- (II) To ensure that the Company prepares and submits reports and documents required by the competent authorities according to law;
- (III) To ensure that the Company's register of shareholders is properly established and that those entitled to the Company's relevant records and documents are provided with them in a timely manner;
- (IV) To be responsible for the information disclosure affairs of the Company, to coordinate information disclosure of the Company, to organize formulation of the information disclosure management system of the Company and to supervise the Company and the relevant information disclosure obligor to comply with the relevant regulations on information disclosure;
- (V) To be responsible for the management of investor relations and shareholders information, and to coordinate information communication among the Company and securities regulators, shareholders and actual controllers, sponsors, securities service providers and the media, etc.;
- (VI) To organize and prepare for meetings of the Board of Directors and shareholders' general meetings; to prepare meeting documents, to attend shareholders' general meetings, meetings of the Board of Directors, Supervisory Committee meetings and relevant meetings of senior management, and to be responsible for taking and signing minutes of meetings of the Board of Directors;
- (VII) To be responsible for the confidentiality of information disclosure of the Company, and to report and announce to the stock exchange where the Company's shares are listed in a timely manner in the event of leakage of material undisclosed information;

- (VIII) To pay attention to public media coverage and take the initiative to seek confirmation of the true situation, and to supervise the Board of Directors to respond to all inquiries of the regulatory authorities in a timely manner;
- (IX) To organize trainings for directors, supervisors and senior management on securities laws and regulations, listing rules and other relevant regulations of the stock exchange where shares of the Company are listed, and to assist the aforesaid personnel in understanding their respective rights and obligations in information disclosure;
- (X) To supervise the directors, supervisors and senior management to comply with securities laws and regulations, the Listing Rules, other relevant regulations of the stock exchange where shares of the company are listed and the Articles of Association, and to supervise their faithful fulfillment of commitments made by them; when becoming aware that the Company has made or may make resolutions in violation of the relevant regulations, the secretary of the Board of Directors shall make reminders;
- (XI) To be responsible for the registration and filing of the Company's insider information, and to ensure the truthfulness, accuracy and completeness of the file of insider information;
- (XII) Other duties required to perform by the Company Law, the Securities Law, the CSRC and the stock exchange where shares of the Company are listed.

**Article 178** The directors or other senior management personnel of the Company may also serve as the secretary of the Board of Directors of the Company. The current supervisors of the Company and the certified public accountants of the accounting firm and the lawyers of the law firm engaged by the Company shall not concurrently serve as the secretary of the Board of Directors of the Company.

**Article 179** The secretary of the Board of Directors shall be nominated by the chairman of the Board of Directors and appointed or dismissed by the Board of Directors. Where a director concurrently serves as the secretary of the Board of Directors, if an act is to be performed by a director and the Secretary of the Board of Directors separately, the person who concurrently serves as the director and the Secretary of the Board of Directors of the Company shall not perform such acts in a dual capacity.

## **CHAPTER 6 GENERAL MANAGER AND OTHER SENIOR MANAGEMENT**

**Article 180** The Company shall have a general manager who shall be nominated by the chairman of the Board of Directors and appointed or dismissed by the Board of Directors.

The Company shall have several deputy general managers as needed, who shall be appointed or dismissed by the Board of Directors.

The general manager, deputy general manager, the person in charge of finance, the secretary of the Board of Directors and other persons who are recognized by a resolution of the Board of Directors as holding important positions shall be the senior management personnel of the Company.

**Article 181** Article 204 of these Articles of Association concerning circumstances under which a director may not serve as a director shall also apply to senior management personnel.

Provisions of Article 125 of these Articles of Association regarding the duties of loyalty and diligence of directors shall also apply to senior management.

**Article 182** A person holding administrative position in the controlling shareholder and actual controlling unit of the Company other than as a Director or Supervisor shall not serve as a senior management personnel of the Company.

**Article 183** The term of office of the general manager shall be three (3) years, which is renewable upon reappointment.

**Article 184** The general manager shall be accountable to the Board of Directors and exercise the following powers:

- (I) To be in charge of the Company's production, operation and management, to organize the implementation of the resolutions of the Board of Directors, and to report to the Board of Directors on his work;
- (II) To organize the implementation of the Company's annual plan and investment plan;
- (III) To draft plans for the establishment of the Company's internal management structure;
- (IV) To draft the Company's basic management system;
- (V) To formulate specific rules and regulations of the Company;
- (VI) To propose to the Board of Directors the appointment or dismissal of the Company's deputy general manager and the chief financial officer;
- (VII) To decide on the appointment or dismissal of responsible management personnel other than those who shall be appointed or dismissed by the Board of Directors;
- (VIII) To exercise other powers conferred by the Articles of Association or the Board of Directors.

The general manager of the Company shall attend meetings of the Board of Directors; the general manager shall have no voting rights at the meetings of the Board of Directors unless he is also a director.

**Article 185** The general manager shall formulate detailed working rules for president and seek the approval from the Board of Directors before implementation thereof.

**Article 186** The detailed working rules for the general manager shall include the following:

- (I) The conditions, procedures and attendees for convening a general manager's meeting;
- (II) The respective duties and division of responsibilities between the general manager and other senior officers;
- (III) The application of the Company's funds and assets, the limits of his authority to enter into material contracts, and the mechanisms for reporting to the Board of Directors and Supervisory Committee;
- (IV) Such other matters as the Board of Directors may think fit.

**Article 187** The general manager may give notice of his resignation prior to the expiration of his term of office. The specific procedures and measures for the resignation of the general manager shall be governed by the provisions of the labour contract between the general manager and the Company.

**Article 188** The deputy general manager shall be nominated by the general manager and appointed or dismissed by the Board of Directors; the deputy general manager shall assist the general manager in his work.

**Article 189** All senior management personnel of the Company shall faithfully perform their duties to safeguard the best interests of the Company and all shareholders. Senior management personnel shall be liable for the compensation and losses caused to the Company and public shareholders as they fail to faithfully perform their duties.

## **CHAPTER 7 SUPERVISORY COMMITTEE**

### **Section 1 Supervisors**

**Article 190** The circumstances under which a person may not act as a director in Article 204 of these Articles of Association shall also apply to supervisors.

Directors and senior management of the Company and their spouses and immediate family members shall not serve as supervisors of the Company during the term of office of the directors and senior management of the Company.

**Article 191** Supervisors shall comply with the laws, administrative regulations, the listing rules of the stock exchange where the shares of the Company are listed and these Articles of Association, shall owe a fiduciary and diligence duty to the Company, shall not use their powers to accept bribes or other illegal income, and shall not misappropriate the property of the Company.

**Article 192** The term of office of the supervisors shall be three years. Supervisors may be re-elected upon expiration of their terms.

**Article 193** If the term of office of a supervisor expires without timely re-election, or if a supervisor resigns during the term of office resulting in the number of members of the Supervisory Committee being less than a quorum, then the original supervisor shall still perform the duties as a supervisor according to laws, administrative regulations, the listing rules of the stock exchange where shares of the Company are listed and the provisions of these Articles before the re-elected supervisor assumes office.

The term of office of the newly elected Supervisors shall be limited to the remaining period of the previous Supervisors.

**Article 194** Supervisors shall ensure that the information disclosed by the Company is true, accurate and complete.

**Article 195** Supervisors may attend meetings of the Board of Directors and may raise questions or make suggestions on matters resolved by the Board of Directors.

**Article 196** Supervisors shall not use their connected-party relationship to harm the interests of the Company, and shall bear the responsibility of compensation if they cause losses to the Company.

**Article 197** Supervisors shall be liable for compensation if they violate the laws, administrative regulations, departmental rules, regulatory documents, listing rules of the stock exchange or the provisions of these Articles of Association in the performance of their duties to the Company and cause losses to the Company.

## **Section 2 Supervisory Committee**

**Article 198** The Company shall have a Supervisory Committee. The Supervisory Committee shall comprise three Supervisors, and shall have a chairman.

The appointment and removal of the chairman of the Supervisory Committee shall be approved by a vote of more than half of the members of the Supervisory Committee. The chairman of the Supervisory Committee shall convene and preside over the meetings of the Supervisory Committee; if the chairman of the Supervisory Committee is unable to or fails to perform his or her duties, more than half of the supervisors shall jointly elect a supervisor to convene and preside over the meetings of the Supervisory Committee.

The Supervisory Committee shall include Shareholder representatives and a proper proportion of employee representatives. The proportion of employee representatives shall be no less than one third. The employee representatives of the Supervisory Committee shall be elected by employees of the Company at the employee representatives' meeting, employee meeting or otherwise democratically.



**Article 199** The Supervisory Committee shall be accountable to the shareholders' general meetings and exercise the following functions and powers according to the laws:

- (I) To audit the periodic reports of the Company prepared by the Board of Directors and express its written audit opinions thereon, and to sign written confirmation opinions;
- (II) To check the financial condition of the Company;
- (III) To monitor the performance of duties in the Company by the Directors and the senior management, and to propose dismissal of the Directors and the senior management who have violated the laws, administrative regulations, these Articles of Association or the resolutions of shareholders' general meetings;
- (IV) To require the directors and the senior management to make corrections if their conduct has damaged the interests of the Company;
- (V) To examine the financial information such as financial reports, business reports and profit distribution plans to be submitted by the Board of Directors to the shareholders' general meetings, and to engage a certified public accountant or practicing auditor in the name of the Company to assist in the reexamination whenever queries arise;
- (VI) To propose the convening of an extraordinary general meeting and, in case where the Board of Directors does not perform its obligations to convene and preside over a shareholders' general meeting in accordance with Company Law, to convene and preside over the shareholders' general meeting;
- (VII) To represent the Company in negotiations with the Directors, or to bring actions against them;
- (VIII) To put forward proposals to the shareholders' general meetings;
- (IX) To bring actions against the Directors or the senior management in accordance with Article 151 of the Company Law;
- (X) To conduct investigation if there is any unusual circumstance in the Company's operations; and if necessary, to engage an accounting firm, law firm or other professional institution to assist in its work at the expenses of the Company;
- (XI) Other functions and powers as conferred by the laws, administrative regulations, department rules, the listing rules of the stock exchange in the place where the Shares of the Company are listed or the Articles of Association.

**Article 200** The Supervisory Committee shall hold at least one meeting every six months.

The supervisors may propose to convene an extraordinary meeting of the Supervisory Committee.

The Chairman of the Supervisory Committee shall be responsible for convening the meetings of Supervisory Committee. The voting of the Supervisory Committee shall be on a one-person-one-vote basis. A resolution of the Supervisory Committee must be approved by more than half of the members of the Supervisory Committee.

**Article 201** The Supervisory Committee establishes its rules of procedure to clarify the manner in which it conducts its proceedings and voting procedures to ensure the efficiency and scientific decision-making of the Supervisory Committee.

The Rules of Procedure of the Supervisory Committee stipulate the procedures for convening the meetings the Supervisory Committee and voting thereof. The Rules of Procedure of the Supervisory Committee shall be annexed to these Articles of Association and shall be prepared by the Supervisory Committee and approved by the shareholders' general meeting.

**Article 202** The Supervisory Committee shall make minutes of the decisions on matters discussed and supervisors present at the meeting shall sign on the minutes.

The supervisors shall have the right to request for certain kind of explanatory notes on the minutes regarding their speeches at the meetings. The minutes of meetings of the Supervisory Committee shall be kept as the Company's records for at least ten (10) years.

**Article 203** A notice of meeting the Supervisory Committee shall include the followings:

- (I) The date, venue and duration of holding the meeting;
- (II) The subject matter and issues;
- (III) The date the notice is given.

## **CHAPTER 8 QUALIFICATIONS AND OBLIGATIONS OF THE COMPANY'S DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT**

**Article 204** A person may not serve as a director, supervisor, general manager or other members of the senior management of the Company if any of the following circumstances apply:

- (I) A person without legal or with restricted legal capacity;

- (II) A person who has been found guilty of sentenced for corruption, bribery, infringement of property, misappropriation of property or sabotaging the social economic order where less than a term of five years have elapsed since the sentence was served; or a person who has been deprived of his political rights, in each case where less than five years have elapsed since the sentence was served;
- (III) A person who is a former director, factory manager or general manager of a company or enterprise which has been entered into insolvent liquidation and he/she is personally liable for the insolvency of such company or enterprise, where less than three 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 or had been ordered to close down due to a violation of the law and who incurred personal liability, where less than three 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 and outstanding;
- (VI) A person who is under criminal investigation by judicial organization for the violation of the criminal law which is not yet concluded;
- (VII) A person who is not eligible to act as an executive of an enterprise according to laws and administrative regulations;
- (VIII) A non-natural person;
- (IX) The prohibition of a person on conducting activities in the security market imposed by the securities regulatory authority of the State Council has not expired;
- (X) A person convicted of the contravention of provisions of relevant securities regulations by a relevant government authority, and such conviction involves a finding that he has acted fraudulently or dishonestly, where less than five years has elapsed since the date of the conviction;
- (XI) Other matters stipulated by laws, administrative regulations, departmental rules, regulatory documents or the listing rules of the stock exchange(s) where the shares of the Company are listed.

In addition to the above circumstances that preclude a candidate from serving as a director, supervisor, general manager or other senior management of the Company, a candidate for a non-independent director of the Company shall have more than five years of experience in business management in the same line of business as that of the Company's current main business, or professional competence and knowledge appropriate to the performance of his/her duties as a director, except for experience in serving in a position recognized by the Board of Directors.

Where the Company elects and appoints a director or a Supervisor or employs member of the senior management to which this Article applies, such election, appointment or employment shall be null and void. A director, a supervisor and member of the senior management to which any of the above circumstances under this Article applies during his/her term of office shall be released of his/her duties by the Company.

**Article 205** The validity of an act of a Director, general manager and other members of the senior management on behalf of the Company is not, as against a bona fide third party, affected by any irregularity in his office, election or any defect in his qualification.

**Article 206** In addition to the obligations imposed by laws, administrative regulations or the listing rules of the stock exchange on which shares of the Company are listed, the directors, supervisors, general manager or other senior officers of the Company owe the following obligations to each shareholder in the exercise of the functions and powers entrusted to them by the Company:

- (I) Not to cause the Company to exceed the scope of business stipulated in its business license;
- (II) To act honestly and in the best interests of the Company;
- (III) Not to expropriate the Company's property in any way, including (but not limited to) any opportunities that are favorable to the Company; and
- (IV) Not to expropriate the individual rights of shareholders, including (but not limited to) distribution and voting rights, save pursuant to a restructuring of the Company which has been submitted to the shareholders for approval in accordance with the Articles of Association.

**Article 207** The directors, supervisors, general manager or other senior officers of the Company owe a duty, in the exercise of their powers or in the discharge of their duties, to exercise the care, diligence and skill that a reasonably prudent person would exercise in similar circumstances.

**Article 208** Each of the directors, supervisors, general manager and other members of the senior management of the Company shall carry on his duties in accordance with the principle of fiduciary, and shall not put himself in a position where his duty and his interest may conflict. This principle includes (without limitation to) the discharge of the following obligations:

- (I) To act honestly in the best interests of the Company;
- (II) To exercise powers within the scope of his powers 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 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 the shareholders' general meeting of shareholders, not to use the Company's property in any manner for his own benefit;
- (VII) Not to exploit his position to accept bribes or other illegal income or expropriate the Company's property by any means, including (without limitation) opportunities that are favorable to the Company;
- (VIII) Not to accept commissions in connection with the Company's transactions without the informed consent of the shareholders' general meeting;
- (IX) To abide by the Articles of Association, faithfully perform his duties and protect the Company's interests, and not to exploit his position and functions and powers in the Company to advance his personal interests;
- (X) Not to compete with the Company in any form without the approval of the informed consent of the shareholders' general meeting;
- (XI) Not to misappropriate the Company's funds or lend such funds to others, not to open accounts in his own name or other names for the deposit of the Company's assets and not to provide a guarantee for debts of a shareholder of the Company or other individual(s) with the Company's assets;
- (XII) Without the informed consent of shareholders in shareholders' general meeting, not to disclose confidential information relating to the Company obtained by him during his term of office; and not to use such information other than for the Company's benefit, save that disclosure of such information to a court or other governmental authorities is permitted if:
  - 1. disclosure is required under law;
  - 2. public interests require disclosure;
  - 3. the legal interests of the relevant directors, supervisors, general manager and other senior officers require disclosure.

**Article 209** Directors, supervisors, general managers and other senior management of the Company may not cause the following persons or institutions (hereinafter referred to as the "Connected Persons") to do what such directors, supervisors, general managers and other senior management are prohibited from doing in their capacity:

- (I) The spouse or minor child of such directors, supervisors, general managers and other senior management of the Company;

- (II) The trustee of a director, supervisor, general manager and other senior management of the Company or of any person referred to in clause (I) of this Article;
- (III) The partner of a director, supervisor, general manager and other senior management of the Company or of any person referred to in clauses (I) and (II) of this Article;
- (IV) The company over which a director, supervisor, general manager and other senior management of the Company individually control, or jointly control with any person referred to in clauses (I), (II) and (III) of this Article or any other director, supervisor, general manager and other senior management of the Company, has actual common control;
- (V) A director, supervisor, general manager and other senior management of such company being controlled as referred to in clause (IV) of this Article.

**Article 210** The fiduciary duties of the directors, supervisors, general managers and other senior management of the Company may not cease with the termination of their tenure. The duty of confidentiality in relation to trade secrets of the Company survives the termination of their tenure. Other duties may continue for such period as fairly required depending on the time lapse between the act concerned and the termination and the circumstances and conditions under which the relationships between them and the Company are terminated.

**Article 211** Unless otherwise provided by Article 54 of the Articles of Association, directors, supervisors, general managers and other senior management of the Company may be relieved of liability for specific breaches of duties by the informed consent of shareholders at a shareholders' general meeting.

**Article 212** Where a director, supervisor, general manager and other senior management 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/her contract of service with the Company), he/she shall declare the nature and extent of his/her interests to the Board of Directors at the earliest opportunity, whether or not the related matters under normal circumstances is otherwise subject to the approval of the Board of Directors.

Unless the interested director, supervisor, general manager and other senior management of the Company has disclosed such interest to the Board of Directors as required under the preceding paragraph of this Article and the matter has been approved by the Board of Directors at a meeting where he/she was not counted in the quorum and had refrained from voting, the Company shall have the rights to revoke the contract, transaction or arrangement, except where the other party is a bona fide party acting without knowledge of the breach of obligation by the director, supervisor, general manager and other senior management concerned.

A director, supervisor, general manager and other senior management of the Company shall be deemed to have some interest in a certain contract, transaction or arrangement in which a Connected Person of such director, supervisor, general manager and other senior management has some interest.

**Article 213** In the event that a director, supervisor, general manager and other senior management of the Company gives a written notice to the Board of Directors before the Company considers to establish the contract, transaction or arrangement for the first time, stating that due to the contents of the notice, such director, supervisor general manager or senior management of the Company has an interest in the contract, transaction or arrangement that may subsequently be made by the Company, such director, supervisor, general manager and other senior management shall be deemed, for the purposes of the preceding Articles of this Chapter, to have declared his/her interest, insofar as attributable to the scope stated in the notice.

**Article 214** The Company shall not in any manner pay taxes for or on behalf of a director, supervisor, general manager and any other senior management.

**Article 215** The Company shall not directly or indirectly extend a loan to or provide any guarantee in connect with the extension of a loan to a director, supervisor, general manager and other senior management of the Company or of the Company's parent company or any of their respective associates.

The following transactions are not subject to the above prohibition:

- (I) The provision by the Company of a loan or a guarantee of a loan to its subsidiaries;
- (II) The provision by the Company of a loan or a guarantee of a loan or any other funds to any of its directors, supervisors, general managers and other senior management to meet expenditure incurred by him/her for the purposes of the Company or for the purpose of enabling him/her to perform his/her duties, in accordance with the service contract approved by the shareholders' general meeting;
- (III) The Company may make a loan to or provide a loan guarantee to any of the relevant directors, supervisors, general managers and other senior management or their respective associates on normal commercial terms, provided that the ordinary course of business of the Company should include the lending of money or the provision of loan guarantees.

**Article 216** A loan made by the Company in breach of the preceding Article shall be forthwith repayable by the recipient of the loan regardless of the terms of the loan.

**Article 217** A loan guarantee provided by the Company in breach of paragraph 1 of Article 215 shall not be enforceable against the Company unless:

- (I) The guarantee was provided in connection with a loan to an associate of any of directors, supervisors, managers and other senior management of the Company or its parent company and the lender were not aware of the relevant circumstances;
- (II) The collateral provided by the Company has been lawfully disposed of by the lender to a bona fide purchaser.



**Article 218** For the purposes of the preceding Articles of this Chapter, the term “security” shall include an act whereby a guarantor assumes its liability or provides property to guarantee in order to secure the performance of obligations by an obligator.

**Article 219** In addition to any rights and remedies provided by the laws and administrative regulations, where a director, supervisor, general manager or other senior management of the Company is in breach of his/her duties to the Company, the Company has a right to:

- (I) Claim damages from the director, supervisor, general manager and other senior management in compensation for losses incurred by the Company as a result of such breach;
- (II) Rescind any contract or transaction entered into by the Company with the directors, supervisors, general managers and other senior management, and with a third party (where such third party knows or should know that there is such a breach of duties to the Company by such directors, supervisors, general managers and other senior management representing the Company);
- (III) Demand an account of the profits made by the directors, supervisors, general managers and other senior management in breach of his/her duties;
- (IV) Recover any monies received by the directors, supervisors, general managers and other senior management which should otherwise have been received by the Company, including but not limited to commissions;
- (V) Request the directors, supervisors, general managers and other senior management to return the interests accrued or may be accrued on the monies which should have been paid to the Company.

**Article 220** The Company shall enter into a contract in writing with a director or supervisor to determine his/her emoluments subject to prior approval of general meeting. The above emoluments include:

- (I) Emoluments in respect of his/her service as a director, supervisor or senior management of the Company;
- (II) Emoluments in respect of his/her service as a director, supervisor or senior management of a subsidiary of the Company;
- (III) Emoluments in respect of other services for the management of the Company and its subsidiary;
- (IV) Funds received by such directors or supervisors as compensation for their loss of office or for their retirement.

A director or supervisor may not sue the Company for such benefits due to him/her on the grounds of the foregoing matters, except for under such contract as mentioned above.

**Article 221** The contract regarding emoluments entered into by and between the Company and its directors and supervisors shall 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' general meeting, have the rights to receive compensation or other payment for loss of their office or for their retirement. For the purposes of the preceding paragraph, the term "a takeover of the Company" shall refer to any of the following occasions:

- (I) Anyone makes a tender offer to all the shareholders;
- (II) Anyone making a tender offer aims at that the offeror becomes a controlling shareholder which has the same definition as that provided in Article 279 of the Articles of Association.

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

## **CHAPTER 9 FINANCIAL AND ACCOUNTING SYSTEM, PROFIT DISTRIBUTION AND AUDIT**

### **Section 1 Financial and Accounting System**

**Article 222** The Company shall establish its financial and accounting system in accordance with laws, administrative regulations and the requirements of relevant regulatory authorities of the PRC. The Company shall prepare a financial report at the end of each fiscal year, and such financial report shall be reviewed and verified in accordance with laws.

**Article 223** The Company shall submit its annual financial reports to the CSRC and the stock exchange(s) in the place where the Company's shares are listed within four months from the ending date of each fiscal year, submit the interim financial reports to the local office of the CSRC and the stock exchange(s) in the place where the Company's shares are listed within two months from the ending date of the first six months of each fiscal year, and submit the quarterly financial reports to the local office of the CSRC and the stock exchange(s) in the place where the Company's shares are listed within one month from the ending dates of the first three and first nine months of each fiscal year.

The above financial and accounting reports are prepared in accordance with laws, administrative regulations and the provisions of departmental regulations.

The Company shall prepare its financial statements in accordance with the PRC accounting standards and regulations as well as the international accounting standards or the accounting standards of the place where the Company's shares are listed overseas. In case of any material difference between the financial statements prepared in accordance with the two accounting standards, explanations shall be made in the notes to the financial statements. Distribution of the profit after tax for the relevant fiscal year shall be based on the lesser of the profit after tax as shown in the two sets of financial statements.

The interim results or financial information announced or disclosed by the Company shall be prepared in accordance with the PRC accounting standards and regulations as well as the international accounting standards or the accounting standards of the place where the Company's shares are listed overseas.

**Article 224** The Board of Directors of the Company shall present to the shareholders, at every annual shareholders' general meeting, such financial reports as are required to be prepared by the Company in accordance with the relevant laws, administrative regulations, regulatory documents promulgated by local government and competent governmental authorities.

**Article 225** The Company's financial reports shall be maintained at the Company for shareholders' inspection twenty days before the date of the annual general meeting. Each shareholder shall be entitled to obtain a copy of the financial reports referred to in this Chapter.

The Company shall, at least 21 days before the date of the annual shareholders' general meeting, deliver aforesaid reports or the reports of the Board of Directors and the balance sheet (including each document required to be attached to the balance sheet as provided by laws), the income statement or the statement of revenues and expenditures, to each shareholder by any methods permitted under the Listing Rules, including but not limited to postal mail, electronic mail, facsimile and announcement. If the report is sent to each of shareholder of overseas-listed foreign shares by prepaid mail, it shall be sent to the recipient's address shown in the register of members. When shareholders of the overseas-listed foreign shares meet the conditions and requirements by laws, administrative regulations and the securities regulatory agency in places where the Company's shares are listed, such reports may be published on the website of the Company, the website of the Stock Exchange of Hong Kong and other websites designated by the Hong Kong Listing Rules from time to time.

**Article 226** The Company shall not establish accounting book other than those required by laws. No assets of the Company shall be deposited under any account opened in the name of any individual.

**Article 227** When the Company distributes its after tax profits for a given year, it shall allocate 10% of profits to its statutory reserve. The Company shall no longer be required to make allocations to its statutory reserve once the aggregate amount of such reserve reaches at least 50% of its registered capital.

If the Company's statutory reserve is insufficient to make up losses from previous years, the Company shall use its profits from the current year to make up such losses before making the allocation to its statutory reserve in accordance with the preceding paragraph.

After making the allocation from its after-tax profits to its statutory reserve, the Company may, subject to a resolution of the shareholders' general meeting, make an allocation from its after-tax profits to the discretionary reserve.

After the Company has made up its losses and made allocations to its reserves, the remaining profits of the Company shall be distributed in proportion to the shareholdings of its shareholders, unless these articles of association provide that distributions are to be made otherwise than proportionally.

If the shareholders' general meeting breaches the provisions of the preceding paragraph by distributing profits to shareholders before the Company has made up its losses and made allocations to the statutory reserve, the shareholders must return to the Company the profits that were distributed in breach of the said provisions.

The Company shall not be entitled to any distribution of profits in respect of shares held by it.

**Article 228** The common reserve fund of the Company shall be applied to make good the Company's losses, expand its business operations or increase its capital. The capital reserve fund, however, shall not be used to make good the company's losses.

Capital reserve fund includes the following clauses:

- (I) Premium on shares issued at a premium price;
- (II) Any other income designated for the capital reserve fund by the regulations of the finance regulatory department of the State Council.

Upon the transfer of the statutory common reserve fund into capital, the balance of the fund shall not be less than 25% of the registered capital of the company before such transfer.

**Article 229** After the shareholders' general meeting of the Company adopts a profit distribution plan by way of resolution, the Board of Directors shall promptly complete the distribution of dividends (or shares) within two months of the convening of shareholders' general meeting.

**Article 230** The continuous and sound profit distribution policies the Company adopted are as follow:

- (I) Principle of profit distribution

Profit distribution of the Company should emphasize on investors' reasonable investment return while maintaining the long-term interests and sustainable development of the Company. The consistency, rationality and stability of the cash dividend policy shall be maintained, and the information of the cash dividend shall be truthfully disclosed.

If the fund of the Company is misappropriated by any shareholders, the Company shall deduct the cash dividend distributable to such shareholders accordingly to repay the fund misappropriated.

(II) Form and interval of profit distribution

1. the Company shall distribute dividends in form of cash, shares, or by the combination of cash and shares. Cash dividends are given priority over share dividends. The Company should consider true and reasonable factors such as growth, dilution to net assets per share when distributing profits by means of shares.
2. the Company shall make distribution at least once a year if it meets the conditions for profit distribution. The Board of Directors could propose to declare an interim cash dividend with reference to the Company's liquidity position.

(III) Conditions and proportions of cash dividends distribution:

1. the distributable profit and accumulated undistributed profit of the Company are positive in the current year, and the capital needs for general production and operation are fulfilled after the implementation of the distribution plan;
2. the auditing organization issues a standard unqualified audit report on the Company's financial report for the year;
3. the Company has no major investment plans or major cash expenditures (except for fund-raising projects) for a certain period of time in the foreseeable future;
4. there is no situation where the Company may not implement cash dividends.

Fulfilling the capital needs for general production and operation refers to the ratio of the audited net cash flow generated by the Company's operating activities in the most recent year divided by the net profit is not less than 10%.

If the Company's cash flow fails to fulfill its general operation or investment needs due to cash dividend distribution, and the Company has stated the situation in the public disclosure documents of relevant major investment plans or major cash expenditures, the cash dividends will not be implemented.

If dividends are distributed in cash, the annual profit distributed in cash shall not be less than 10% of the distributable profit realized in the current year, and the accumulated profit distributed in cash in the last three years shall not be less than 30% of the annual distributable profit realized in the last three years.

(IV) The conditions for dividend distributions and the proportions of cash dividend thereof

1. the Company has positive undistributed profits and records positive distributable profits for the period;
2. after taking into consideration of rapid growth of the Company, if the Board of Directors is of the view that the Company's share price does not match its share capital, a share dividend distribution plan can be proposed in addition to the cash dividend distribution.

While distributing share dividends, the Company should focus on maintaining the synchronized growth of share capital and business performance.

If dividends are distributed in shares, the Company shall comprehensively take into account of the features of the industry where the Company operates, its stage of development, its own business model, and profitability and the factors such as whether there is significant capital expenditure arrangement in distinguishing the following situations and form differentiated cash dividend policies in accordance with the procedures as stipulated in the Articles of Association:

1. if the Company is in a mature development stage without significant capital expenditure arrangement, the minimum percentage of cash dividend in this profit distribution shall be 80%;
2. if the Company is in a mature development stage with significant capital expenditure arrangement, the minimum percentage of cash dividend in this profit distribution shall be 40%;
3. if the Company is in a growing development stage with significant capital expenditure arrangement, the minimum percentage of cash dividend in this profit distribution shall be 20%.

If the development stage of the Company cannot be easily distinguished but with significant capital expenditure arrangement, cash dividends shall be distributed according to the requirement mentioned above.

(V) Procedures for profit distribution

The Board of Directors of the Company shall comprehensively take into account of the features of the industry where the Company operates, its stage of development, its own business model, and profitability and the factors such as whether there is significant capital expenditure arrangement, and study and identify with caution the timing, conditions and minimum proportion, conditions for adjustment involved in implementing the cash dividends. The proposed profit distribution plan can be submitted to the Board of Directors of the Company for consideration only after it has been approved by more than half of independent directors of the Company.

The independent directors shall give specific opinion in respect thereof.

The independent directors may collect opinions from minority shareholders for putting forward a profit distribution proposal to the Board of Directors for consideration.

In considering the specific plan for profit distribution at the shareholders' general meeting, a number of channels shall be adopted to actively communicate and exchange information with the shareholders, especially minority shareholders, take into full account the opinions and requests of minority shareholders and address their concerns in a timely manner.

#### (VI) Adjustment to the profit distribution policy

If there are material changes in the Company's own operating conditions or the external operating environment and the existing profit distribution policy will affect the sustainable operation of the Company, or the profit distribution policy of the Company needs to be adjusted in accordance with investment plan and long-term development, the Company shall adjust the profit distribution policy. The adjusted profit distribution policy shall not violate the relevant regulations of the China Securities Regulatory Commission and the stock exchange; and any resolution regarding adjustments to the profit distribution policy is subject to the prior review of independent directors and the Board of Supervisors, the Board of Directors shall discuss the adjustment in the profit distribution policy in the symposium presentations to fully consider the views of minority shareholders, independent directors, supervisors and senior management of the Company through a variety of channels. Such resolution shall be presented at the shareholders' general meeting of the Company for approval after consideration and approval by the Board of Directors of the Company. It shall be approved by more than two-thirds of the votes of the shareholders with right to vote attending the shareholders' general meeting of the Company.

Independent Directors shall explicitly give their views as to the resolution on adjustments to the profit distribution policy and the Company shall declare the opinions of independent directors when issuing the announcement of convening the shareholders' general meeting.

In considering its profit distribution policy by the Board of Directors, the Company shall communicate proactively to especially its minority shareholders by on-site meeting, telephone, the Company's website, and interactive platform on the stock exchange, fully listen to their opinions and needs, and provide timely responses to their concerns.

To facilitate the minority shareholders, on-site voting and online voting shall be adopted in considering the resolution on adjustments to the profit distribution policy. If necessary, independent directors may solicit voting rights from minority shareholders.



(VII) Regulation in the profit distribution policy

Where the Board of Directors of the Company fails to submit a profit distribution plan to the shareholders' general meeting in accordance with the established profit distribution policy, the Company shall specify the reasons for and the specific use of the retained funds on a regular report, and independent directors shall express their independent opinions on such matters. Meanwhile set out clearly in a table the cash dividends and ratios of cash dividends to profit for the year of the company for the past three years. If the Company does not distribute profits in cash in the last three years, the Company shall not issue new shares to the public, issue convertible bonds or place shares to the existing shareholders.

The Supervisory Committee of the Company shall monitor the execution of cash dividend policy carried out by the Board of Directors, as well as the execution of appropriate decision-making procedures and the information disclosure. The Supervisory Committee shall express explicit opinions and urge the Board of Directors to make correction in a timely manner in case of any of the following circumstances:

1. failure to strictly implement the cash dividends policy;
2. failure to strictly execute appropriate decision-making procedures for cash dividends;
3. failure to make an authentic, accurate and complete disclosure of the cash dividends policy and its implementation.

**Article 231** Where the Company is profitable but the Board of Directors has not made a cash profit distribution proposal, the Board of Directors shall state the reasons for not making cash dividends and the specific use of the retained funds on a regular report of that year, and independent directors shall express their independent opinions on such matters.

If the fund of the Company is misappropriated by any shareholders, the Company shall deduct the cash dividend distributable to such shareholders accordingly to repay the fund misappropriated.

**Article 232** Any share monies of any shares paid before the call shall be entitled to distributable profit. However, shareholders shall not have any right to receive the distributable profit declared thereafter in relation to the pre-paid share monies.

Subject to the relevant laws, regulations, rules and normative documents, the Company may exercise the power to forfeit unclaimed dividends, provided that it does so only after the expiration of the applicable relevant period.

**Article 233** The Company has the power to cease sending dividend warrants by post to a given holder of the H shares, but may exercise such power only if such warrants fail to be redeemed for two consecutive occasions. However, the Company may exercise such power after the first occasion on which such a warrant is returned and undelivered.

On the premise of compliance with the relevant laws, regulations, departmental rules, normative documents and the rules of any applicable stock exchange, the Company shall have the power to sell, in such manner as the board thinks fit, any shares of a shareholder of the H shares who is untraceable subject to the following conditions:

- (I) The Company has distributed dividends at least three times in respect of such shares within 12 years, but none of such dividends was claimed;
- (II) The Company, after the expiration of a period of 12 years, made an advertisement on one or more newspapers in the place in which the Company's shares are listed, stating its intention to sell such shares, and notified the securities regulatory authority of the place in which the Company's shares are listed of such intention.

**Article 234** The Company shall appoint receiving agents on behalf of the shareholders of the overseas-listed foreign shares to receive on behalf of such shareholders dividends declared and all other monies owing by the Company in respect of such shares.

The receiving agents appointed by the Company shall meet the requirements of the laws of the place where the Company is listed or the requirements of the relevant provisions of the stock exchanges.

## **Section 2 Internal Audit**

**Article 235** The Company shall implement internal audit system and assign full-time auditors to conduct internal audits and supervise the financial revenues and expenditures and economic activities of the Company.

**Article 236** The internal audit system and duties of the auditors of the Company shall be subject to the approval of the Board of Directors. The officer in charge of audit shall be accountable to the Board of Directors and report to the same.

## **Section 3 Appointment of Accounting Firm**

**Article 237** The Company shall engage an accounting firm that complies with the provisions of the Securities Law to audit its accounting statements, verify its net assets, or provide other relevant consulting services. The term of appointment shall be one year which commences on the date of conclusion of the current shareholders' general meeting and ends on the date of conclusion of the subsequent shareholders' general meeting. The term of office may be renewed.

**Article 238** The Company's appointment of an accounting firm shall be decided by the shareholders' general meeting. The Board of Directors shall not appoint any accounting firm prior to a decision made by the shareholders' general meeting.

**Article 239** An accounting firm appointed by the Company shall have the following rights:

- (I) To inspect, at any time, the Company's account books, records or vouchers, and shall have the right to require the directors, general manager or other senior management to provide relevant data and explanations;
- (II) To require the Company to adopt all reasonable measures to obtain from its subsidiaries data and explanations which the accounting firm requires for the performance of its duties;
- (III) To attend shareholders' meetings and to receive notices of and other information relating to the meetings that any shareholder is entitled to receive, and to speak at any shareholders' meeting in relation to matters concerning its role as the accounting firm of the Company.

**Article 240** Regardless of the terms in the contract concluded between the accounting firm and the Company, the shareholders' general meeting may, through an ordinary resolution, dismiss the said accounting firm before expiration of the term thereof. In relation to any rights claimed by the accounting firm against the Company, the said rights shall not be affected.

**Article 241** The Company shall undertake to provide the accounting firm with true and complete accounting documents, accounting books, financial accounting reports and other accounting information, and shall not reject, conceal or misstate any information.

**Article 242** The remuneration of the accounting firm or the manner in which the firm is to be remunerated shall be determined by the shareholders' general meeting.

**Article 243** The appointment, removal or non-reappointment of an accounting firm by the Company shall be decided by a resolution of the shareholders' general meeting. Such a resolution shall be filed with the securities regulatory authority of the State Council.

The shareholders' general meeting shall comply with the following provisions in passing a resolution to appoint a non-incumbent accounting firm to fill any vacancy, or to continue to appoint an accounting firm appointed by the Board of Directors to fill the vacancy, or to dismiss an incumbent accounting firm:

- (I) The proposal for appointment or dismissal shall, before the notice of shareholders' general meeting is sent, be served to the accounting firm to be appointed, or will terminate or has terminated its service in the relevant financial year. The termination of service of an accounting firm may refer to the removal, resignation or retirement of such firm.

- (II) If the accounting firm about to terminate service makes a written statement and requests the Company to notify its shareholders of the said statement, the Company shall take the following actions unless the written statement is received too late:
  - 1. describe in the notice issued for making the resolution that the accounting firm about to terminate service has made a statement; and
  - 2. send to the shareholders a copy of the statement as an attachment to the notice in the form specified in the Articles of Association.
- (III) If the Company fails to send out the statement of the accounting firm as per clause (II) herein, the relevant accounting firm may require that the said statement be read at the shareholders' general meeting and may lodge a complaint.
- (IV) The resigning accounting firm shall be entitled to attend the following meetings:
  - 1. the shareholders' general meeting at which its term of office would expire;
  - 2. the shareholders' general meeting at which a proposal is made to fill the vacancy caused by its removal;
  - 3. the shareholders' general meeting convened as a result of its resignation.

The resigning accounting firm shall be entitled to receive all notices of, and other information relating to, any such meeting, and to speak at any such meeting which concerns it as a former accounting firm of the Company.

**Article 244** Where the shareholders' general meeting dismisses or does not continue engaging the accounting firm, 30 days of prior notice shall be issued to the accounting firm, and the accounting firm has the right to state its opinions when the shareholders' general meeting is voting on the dismissal of the accounting firm.

If the accounting firm resigns from its position, it shall make representations to the shareholders' general meeting whether there has been any impropriety on the part of the Company.

The accounting firm may resign by placing a written notice of resignation at the legal address of the Company. The notice shall take effect on the date of delivery to the legal address of the Company or on a later date specified in the notice. Such notice shall contain the following statements:

- (I) a statement to the effect that there are no circumstances in connection 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 other circumstances requiring an explanation.

The Company shall send a copy of the written notice as mentioned in the preceding paragraph to the relevant competent authority within 14 days after its receipt. If the notice contains a statement as mentioned in the preceding sub-paragraph (II), a copy of such statement shall be placed at the Company for the shareholders to inspect. The Company shall also send a copy of the foregoing statement to each shareholder entitled to receive a report of the Company's financial position, to the address registered in the register of shareholders.

If the notice of resignation of the accounting firm contains a statement that any information is to be disclosed, the accounting firm may require the Board of Directors to convene an extraordinary general meeting to listen to its explanation concerning the resignation.

## **CHAPTER 10 NOTICE AND ANNOUNCEMENT**

### **Section 1 Notice**

**Article 245** Notices of the Company may be served as follows:

- (I) By personal delivery;
- (II) By fax or data message;
- (III) By email;
- (IV) By announcement;
- (V) By publication on the websites designated by the Company and stock exchanges subject to the laws, administrative regulations, departmental rules, regulatory documents, listing rules of stock exchange where the shares of the Company are listed and the Articles of Association;
- (VI) By other means agreed previously between the Company and the recipient or approved by the recipient;
- (VII) By other means specified in the laws, administrative regulations, rules, listing rules of the place where the shares of the Company are listed and the Articles of Association.

In respect of the way in which the Company provides or sends corporate communications to holders of H shares in accordance with the Hong Kong Listing Rules, on the premise of complying with the laws and regulations of the listing place, listing rules and the Articles of Association, the Company may provide or send corporate communications to holders of H shares through the website designated by the Company and/or the website of Hong Kong Stock Exchange or by electronic means.

The corporate communications referred to in the preceding paragraph refer to any document issued or to be issued by the Company for reference or action by any holders of H shares or other persons required by the Hong Kong Listing Rules, including but not limited to:

1. annual reports of the Company (including directors' report, annual accounts of the Company, audit reports and summary financial reports, if applicable);
2. interim reports and interim summary reports of the Company (if applicable);
3. meeting notices;
4. listing documents;
5. circulars;
6. proxy forms (as specified in the listing rules of stock exchange where the shares of the Company are listed).

Where a notice is served by announcement in the exercise of the rights prescribed in the Articles of Association, such an announcement shall be published in accordance with the methods prescribed in the Hong Kong Listing Rules.

**Article 246** Subject to the laws, administrative regulations, departmental rules, regulatory documents, listing rules of stock exchange where the shares of the Company are listed and the Articles of Association, where a notice of the Company is served by announcement, the notice shall be deemed as received by the relevant persons once the notice is announced.

**Article 247** Notice of a shareholders' general meeting of the Company shall be given in the form prescribed in Article 245 hereof.

**Article 248** Notice of a board meeting of the Company shall be served by one or more of the methods specified in Article 245 of the Articles of Association, save for an extraordinary meeting of the Board of Directors which is stipulated otherwise in the Articles of Association.

**Article 249** Notice of a meeting of the Supervisory Committee of the Company shall be served by one or more of the methods specified in Article 245 of the Articles of Association, save for an extraordinary meeting of the Supervisory Committee which is stipulated otherwise in the Articles of Association.

**Article 250** If the notice of the Company is served by personal delivery, the recipient shall affix their signature (or seal) to the Return on Service and the signing date shall be the date of service; if the notice of the Company is served by post, the third working day after handover to the post office shall be the date of service; if the notice of the Company is sent by fax or data message, once it is sent successfully, all relevant persons shall be deemed to have received the notice; if the notice of the Company is served by announcement, the date of first announcement shall be the date of service.

**Article 251** The accidental failure to give notice of meeting to, or non-receipt of notice of meeting by, any person entitled to receive such notice shall not invalidate the meeting and the resolutions adopted at the meeting.

**Article 252** If the listing rules of the place where the shares of the Company are listed require the Company to send, mail, distribute, issue, publish or provide by other means the relevant documents of the Company in English and Chinese versions, the Company may (according to the intentions expressed by shareholders) send only English text or only Chinese text to relevant shareholders in the range permitted by the applicable laws and regulations and according to applicable laws and regulations, provided that the Company has made appropriate arrangement to determine whether its shareholders hope to receive only English text or only Chinese text.

## **Section 2 Announcement**

**Article 253** The Company shall publish announcements and other to-be-disclosed information to shareholders of domestic shares in newspapers and websites designated by the China Securities Regulatory Commission.

If it is required to make public announcements to the holders of H shares pursuant to the Articles of Association, such announcements shall also be published in such manner as required by the Hong Kong Stock Exchange.

The information disclosed by the Company in other public media shall not precede the disclosure in the designated newspapers and websites, and the announcement of the Company shall not be replaced by press release or press conference, or other forms.

The Board of Directors shall have the right to decide to adjust the media for information disclosure of the Company, but should ensure that the designated media for information disclosure meets the qualifications and conditions stipulated by the relevant laws and regulations in the PRC and in Hong Kong, as well as the securities regulatory authority of the State Council, the overseas regulatory authority and the stock exchange where the shares of the Company are listed.

**Article 254** The Company shall disclose regular reports and interim reports in accordance with the laws.

## **CHAPTER 11 MERGER, DIVISION, CAPITAL INCREASE, CAPITAL REDUCTION, DISSOLUTION AND LIQUIDATION**

### **Section 1 Merger, Division, Capital Increase and Capital Reduction**

**Article 255** Merger of the Company may take the form of absorption or establishment of a new company.

One company absorbing another company is merger by absorption, and the company being absorbed shall be dissolved. Merger of two or more companies through establishment of a new company is a consolidation, and the companies being consolidated shall be dissolved.



**Article 256** The merger or division of the Company shall be proposed by the Board of Directors for approval in accordance with the procedures as specified in the Articles of Association. Approval for merger or division shall be sought in accordance with the relevant legal requirements. A shareholder who disagrees with the proposed merger or division shall have the right to demand the Company or the consenting shareholders to acquire his/her shares at a fair price. The resolution of merger or division of the Company shall be contained in a special document for inspection by shareholders.

For holders of H shares of Hong Kong listed companies, the aforesaid documents shall also be delivered by mail or other means permitted by the Hong Kong Stock Exchange.

**Article 257** In the event of a merger, the merging parties shall execute a merger agreement and prepare a balance sheet and an inventory of property. The Company shall notify all creditors within 10 days after adoption of the merger resolution and shall make announcements in the newspapers designated by the Company for information disclosure as specified in Article 253 of the Articles of Association within 30 days. The creditors may require the Company to repay debts or to provide corresponding guarantees within 30 days after receipt of the notice or within 45 days after the announcement if the creditors have not received the notice.

**Article 258** The credits and debts of the Company during merger shall be inherited by the company subsisting after the merger or by the newly established company.

**Article 259** Where the Company is divided, its properties shall be divided accordingly.

Where the Company is divided, the parties to the division shall sign a division agreement and a balance sheet and an inventory of property shall be prepared. The Company shall notify all creditors within 10 days after adoption of the division resolution and shall make announcements in the newspapers designated by the Company for information disclosure as specified in Article 253 of the Articles of Association within 30 days.

**Article 260** The debts of the Company prior to the division shall be undertaken by the companies after division, save as otherwise specified in the written agreement on debt repayment reached between the Company and its creditors before the division.

**Article 261** The Company shall prepare a balance sheet and an inventory of property when it needs to reduce its registered capital.

The Company shall notify the creditors within 10 days from the date of making the resolution to reduce the registered capital, and shall make announcements in the newspapers designated by the Company for information disclosure as specified in Article 253 of the Articles of Association within 30 days. The creditors may require the Company to repay debts or to provide corresponding guarantees within 30 days after receipt of the notice or within 45 days after the announcement if the creditors have not received the notice.

The registered capital of the Company after the capital reduction shall not be lower than the statutory minimum.

**Article 262** Changes in registered particulars arising from a merger or division of the Company shall be registered with the companies registration authority according to the law. If the Company is dissolved, it shall be deregistered according to the law. If a new company is established, such establishment shall be registered according to the law.

Increase or decrease of the registered capital of the Company shall be registered with the company registration authority according to the law.

## **Section 2 Dissolution and Liquidation**

**Article 263** The Company may be dissolved for the following reasons:

- (I) The term of operation stipulated in the Articles of Association has expired or circumstances for dissolution specified in the Articles of Association arises;
- (II) A resolution for dissolution is passed at a shareholders' general meeting;
- (III) Merger or division of the Company entails dissolution;
- (IV) The business license is revoked or the Company is ordered to close down or be de-registered according to the law;
- (V) Where the Company gets into serious trouble in operation and management and its continuation may cause substantial loss to the interests of shareholders, and no solution can be found through other channels, shareholders representing more than 10% of the voting rights of all shareholders of the Company may request the people's court to dissolve the Company.

**Article 264** In the circumstance set out in clause (I) of Article 263, the Company may continue to subsist 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.

If the Company is dissolved due to the clauses (I), (II), (IV) and (V) of Article 263 hereof, a liquidation group shall be established within 15 days from the date of occurrence of the cause of dissolution to commence liquidation. The liquidation group shall be composed of directors or persons determined by the general meeting.

**Article 265** If the Board of Directors decides to liquidate the Company for any reason other than the Company's declaration of its own insolvency, it shall state in the notice on convening a shareholders' general meeting for this reason that it has made full investigation on the Company's position and believes the Company is able to pay its debts in full within 12 months from the commencement of the liquidation.

Upon the adoption of the resolution at the shareholders' general meeting for the liquidation of the Company, all functions and powers of the Board of Directors shall cease immediately.

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

**Article 266** During liquidation, the liquidation committee shall exercise the following functions and powers:

- (I) To examine and take possession of the assets of the Company and prepare the balance sheet and a property inventory;
- (II) To inform creditors by notice or announcement;
- (III) To deal with the outstanding businesses of the Company relating to liquidation;
- (IV) To pay off outstanding taxes as well as taxes arising in the course of liquidation;
- (V) To settle credits and debts;
- (VI) To dispose of the remaining assets of the Company after repayment of debts;
- (VII) To represent the Company in civil proceedings.

**Article 267** The liquidation committee shall notify all creditors within 10 days after its establishment and shall make announcements in the newspapers designated by the Company for information disclosure specified in Article 253 of the Articles of Association within 60 days. The creditors shall declare their rights to the liquidation committee within 30 days after receipt of the notice or within 45 days after announcement if the creditors haven't received the notice.

When declaring their rights, the creditors shall explain matters relating to their rights and provide relevant evidential documents. The liquidation committee shall register the creditor's rights.

During the creditor's rights declaration period, the liquidation committee shall not make repayment to the creditors.

**Article 268** After the liquidation committee has examined and taken possession of the assets of the Company and prepared a balance sheet and a property inventory, it shall formulate a liquidation proposal and submit it to the shareholders' general meeting or the people's court for confirmation.

The Company shall, according to the proportion of the shares held by the shareholders, distribute the properties of the Company remaining after payment of the liquidation expenses, employees' salaries, social insurance expenses and statutory compensations, outstanding taxes, and the Company's debts.

The Company shall subsist in the course of liquidation but shall not conduct any business operations unrelated to liquidation. Before liquidation as specified in the preceding paragraphs, the assets of the Company shall not be distributed to shareholders.

**Article 269** After the liquidation committee has examined and taken possession of the assets of the Company and prepared a balance sheet and a property inventory, if it discovers that the Company's assets are insufficient to repay its debts in full, it shall immediately apply to the people's court to declare the Company bankrupt according to law.

Following a ruling by the people's court that the Company is bankrupt, the liquidation committee shall transfer to the people's court all matters relating to the liquidation.

**Article 270** Upon completion of liquidation, the liquidation committee shall prepare a liquidation report, revenue and expenditure report in the liquidation period and accounting books and submit the same to the shareholders' general meeting or the people's court for confirmation after verification by Chinese certified public accountant.

The liquidation committee shall, within 30 days after the confirmation of the liquidation report by the shareholders' general meeting or the people's court, submit the documents referred to in the preceding paragraph to the company registration authority and apply for cancellation of registration of the Company, and publish a public announcement relating to the termination of the Company.

**Article 271** Any member of the liquidation committee shall dutifully and lawfully fulfill the liquidation obligation.

Any member of the liquidation committee shall not abuse his official powers to accept bribes or other unlawful gains, and not to expropriate the Company's assets.

Where any member of the liquidation committee causes any loss to the Company or the creditors with will or serious negligence, the said member shall be liable for compensation.

**Article 272** Where the Company declares bankrupt according to law, bankruptcy liquidation shall be conducted pursuant to laws on bankruptcy of enterprises.

## CHAPTER 12 AMENDMENT TO ARTICLES OF ASSOCIATION

**Article 273** The Company may amend the articles of association in accordance with the laws, administrative regulations and the articles of association.

**Article 274** The Company shall amend the Articles of Association in any of the following circumstances:

- (I) After amendments are made to the Company Law or relevant laws and administrative regulations, the Articles of Association run counter to the said amendments;
- (II) The conditions of the Company have changed, and such change is not covered in the Articles of Association;
- (III) The shareholders' general meeting has resolved to amend the Articles of Association.

**Article 275** Any amendment approved by the shareholders' general meeting to the Articles of Association shall be submitted to the relevant competent authorities for approval where necessary; changes, if any, shall be registered.

**Article 276** The Board of Directors shall amend the articles of association in accordance with the resolution of the shareholders' general meetings on amendment to the articles of association and the examination and approval opinions from relevant competent authorities.

**Article 277** Where the amendments to the articles of association involve matters requiring disclosure by law and regulations, the amendments shall be announced as required.

**Article 278** Amendments to the Articles of Association shall be reported to the competent authorities for approval if such amendments should be subject to the approval of the competent authorities. If company registration is involved, change shall be registered according to law.

## CHAPTER 13 SUPPLEMENTARY ARTICLES

**Article 279** Definitions

- (I) Controlling shareholders are shareholders whose holdings of common shares (including preferred shares with restored voting rights) account for more than 50% of the Company's total share capital; and shareholders whose holdings are less than 50% but whose voting rights based on their holdings are sufficient to exert a significant influence on the resolutions of the shareholders' general meeting.
- (II) De facto controller means a person who is not a shareholder of the Company, but who, through an investment relationship, agreement or other arrangement, is able to practically dominate the Company's behavior.

(III) Connected relations: Relations between a controlling shareholder, de facto controller, Director, Supervisor or members of the senior management of the Company and the enterprise directly or indirectly controlled by the same, which relations may give rise to a transfer of interests of the Company, provided however that there should be no related party relationship between state-controlled enterprises solely because they are under the common control of the State.

**Article 280** The Board of Directors may formulate rules of Articles of Association in accordance with the Articles of Association. The rules shall not conflict with the Articles of Association.

**Article 281** The Articles of Association are written in Chinese. Where the Articles of Association in any other language or version disagree with the Articles of Association, the Chinese version of Articles of Association latest approved and registered by the Ganzhou City Industrial and Commercial Administrative Bureau shall prevail.

**Article 282** The terms “above”, “within”, “following” or “at most”, as stated in the Articles of Association shall all include the given figure; the terms “not exceeding”, “except”, “lower” or “more” shall all exclude the given figure. The terms “connected transactions”, “related parties” and “affiliated relationships” in the Articles of Association have the same meanings as the “connected transactions”, “connected parties” and “connected relationships” defined in the context of the Hong Kong Listing Rules.

**Article 283** The meaning of the accounting firm mentioned in the Articles of Association is the same as that of “auditors”.

**Article 284** The Board of Directors of the Company shall be responsible for the interpretation of the Articles of Association.

**Article 285** The Articles of Association shall be implemented after the consideration and approval of the shareholders’ general meeting of the Company, the same when revised.

**Article 286** Appendixes to the Articles of Association include the rules of procedure for the shareholders’ general meetings, the rules of procedure for meetings of the Board of Directors and the rules of procedure for meetings of the Supervisory Committee.

(End of text)

JL MAG RARE-EARTH CO., LTD.  
November 2023