

This Appendix contains a summary of the Articles of Association. The principal objective is to provide potential investors with an overview of the Articles of Association. As the information contained below is a summary form, it does not contain all the information that may be important to potential investors. As stated in the paragraph headed “Documents delivered to the Companies Registry” in Appendix IX, a copy of the Articles of Association is available for inspection.

The Articles of Association and relevant amendments thereto were adopted by our shareholders at shareholders’ general meetings in accordance with applicable laws and regulations, including the PRC Company Law, the Securities Law of the PRC, the Circular on Opinion concerning Supplementary Amendments to Articles of Association of Companies Listed in Hong Kong (《關於到香港上市公司對公司章程作補充修改的意見的函》), the Special Regulations, the Mandatory Provisions and the Hong Kong Listing Rules. The Articles of Association will become effective on the date that the H Shares are listed on the Hong Kong Stock Exchange.

## **DIRECTORS AND OTHER OFFICERS**

### **Power to Allot and Issue Shares**

There is no provision in the Articles of Association empowering the Directors to allot and issue Shares.

To increase the capital of the Company, the Board is responsible for formulating proposals for approval at a shareholders’ general meeting by way of special resolution. Any such increase must be conducted in accordance with the procedures stipulated by the relevant laws and administrative regulations.

### **Power to Dispose of the Assets of the Company or any Subsidiary**

The Board is accountable to the shareholders’ general meeting.

The Board shall not, without the prior approval or consent of shareholders’ general meeting, dispose or agree to dispose of, any fixed assets of the Company where the anticipated value of the assets to be disposed of, together with the value of any fixed assets of the Company that has been disposed of in the period of four (4) months immediately preceding the proposed disposition, exceeds 33% of the value of the Company’s fixed assets as shown in the last balance sheet placed before the shareholders’ general meeting.

The validity of a disposition by the Company of fixed assets shall not be affected by the breach of the above paragraph.

For the purposes of the Articles of Association, a disposition of fixed asset includes an act involving the transfer of an interest in assets other than the provision of fixed assets as security.

### **Emoluments and Compensation or Payments for Loss of Office**

The Company shall, with the prior approval of shareholders’ general meeting, enter into a contract in writing with each of the Directors or Supervisors wherein his or her emoluments are stipulated. The aforesaid emoluments include:

- (1) emoluments in respect of his or her service as a Director, Supervisor or member of senior management of the Company;

- (2) emoluments in respect of his or her service as a Director, Supervisor or member of senior management of any subsidiary of the Company;
- (3) emoluments in respect of provision of other services in relation to the management of the Company and any subsidiary of the Company;
- (4) payment by way of compensation for his/her loss of office, or as consideration for or in connection with his/her retirement from office.

Unless otherwise provided by the contract in the preceding paragraph, a Director or Supervisor shall not file legal proceedings against the Company in respect of the benefits due to him/her from the aforesaid matters.

The contracts concerning the emoluments between the Company and its Directors or Supervisors should provide that, in the event of an acquisition of the Company, the Directors and Supervisors shall, subject to the prior approval of the shareholders' general meeting, have the right to receive compensation or other payment in respect of his/her loss of office or retirement. An "acquisition of the Company" referred to in this paragraph means either:

- (1) a takeover offer made by any person to all shareholders; or
- (2) a takeover offer made by any person to enable the offeror to become a "controlling shareholder" with the meaning set out in the Articles of Association (see the section headed "— Rights of the Minorities in Relation to Fraud or Oppression" below).

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

#### **Loans to Directors, Supervisors and Other Officers**

The Company shall not directly or indirectly make a loan to, or provide any security in connection with the making of a loan to a Director, Supervisor, our General Manager or other members of senior management of the Company or of controlling shareholder or any of their respective Related Persons. However, the following transactions are not subject to such prohibition:

- the provision by the Company of a loan or a security of a loan to a company which is a subsidiary of the Company;
- the provision by the Company of a loan or a security in connection with the making of a loan or any other funds to any of its Directors, Supervisors, our General Manager or other members of senior management for them to pay for expenditure incurred or to be incurred by him/her for the purposes of the Company or for the purpose of enabling him/her to perform his/her duties properly, in accordance with the terms of a service contract approved by the shareholders' general meeting; and

- The Company may make a loan to or provide a security in connection with the making of a loan to any of the relevant Directors, Supervisors, our General Manager and other members of senior management or their respective Related Persons on normal commercial terms, provided that the ordinary course of business of the Company includes the lending of money or the provision of a security of a loan.

A loan made by the Company in breach of the above provisions shall be forthwith repayable by the recipient of the loan, regardless of the terms of the loan. A security provided by the Company in breach of the above provisions shall be unenforceable against the Company, unless:

1. the security was provided in connection with a loan to a Related Person of any of the Directors, Supervisors, our General Manager and other members of senior management of the Company or of controlling shareholder and at the time the loan was advanced the lender did not know the relevant circumstances; or
2. the collateral provided by the Company has been lawfully sold by the lender to a bona fide purchaser.

For these purposes:

- (a) the term “security” shall include an undertaking or property provided to secure the performance of obligations by the obligor; and
- (b) the definition of Related Person as referred to in the sub-section headed “Duties” below applies, mutatis mutandis, to this sub-section.

#### **Financial Assistance for the Acquisition of Shares in the Company or any of its Subsidiaries**

Subject to the exceptions in the Articles of Association, the Company and its subsidiaries shall not, by any means at any time, provide any kind of financial assistance (as defined below) to a person who is acquiring or is proposing to acquire shares of the Company. The said acquirer of shares of the Company includes a person who directly or indirectly incurs any obligations (as defined below) due to the acquisition of the shares. The Company and its subsidiaries shall not, by any means at any time, provide financial assistance to the said acquirer as referred to above for the purpose of reducing or discharging the obligations assumed by that person.

Without prejudice to the Laws, regulations and normative documents, the following acts shall not be deemed to be prohibited:

- the provision of financial assistance by the Company where the financial assistance is given in good faith in the interest of the Company, and the main purpose of the financial assistance is not the acquisition of shares of the Company, or the financial assistance is an incidental part of an overall plan of the Company;
- the lawful distribution of the Company’s assets by way of dividend in accordance with law;
- the allotment of bonus shares as dividends;

- a reduction of registered capital, a repurchase of shares of the Company or a reorganization of the shareholding structure of the Company effected in accordance with the Articles of Association;
- The providing of loan by the Company for its normal business activities within its business scope (provided that the net assets of the Company are not thereby reduced or that, to the extent that the net assets are thereby reduced, the financial assistance is provided out of distributable profits); and
- the provision of money by the Company for contributions to employee share scheme (provided that the net assets of the Company are not thereby reduced or that, to the extent that the net assets are thereby reduced, the financial assistance is provided out of distributable profits).

For these purposes:

- (a) “financial assistance” includes (without limitation) the following meanings:
- (1) gift;
  - (2) security (including the assumption of liability by the guarantor or the provision of assets by the guarantor to secure the performance of obligations by the obligor), or compensation (other than compensation incurred by the Company’s own default) or release or waiver of any rights;
  - (3) provision of a loan or any other agreement under which the obligations of the Company are to be fulfilled before the obligations of another party, or a change in the parties to, or the assignment of rights under such loan or agreement; or
  - (4) any other form of financial assistance given by the Company when the Company is unable to pay its debts or has no net assets or when its net assets would thereby be reduced to a material extent.
- (b) “incurring an obligation” includes the incurring of obligations by the changing of the obligor’s financial position by way of contract or the making of an arrangement (whether enforceable or not, and whether made on its own account or with any other persons), or by any other means.

**Disclosure of Interests in Contracts with the Company or any of its Subsidiaries**

Where a Director, Supervisor, our General Manager or other member of 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 shall declare the nature and extent of his/her interests to the Board at the earliest opportunity, regardless whether or not the contract, transaction or arrangement or proposal is otherwise subject to the approval of the Board under normal circumstances.

Unless the interested Director, Supervisor, General Manager or other member of senior management discloses his/her interests in accordance with the Articles of Association and the contract and transaction or arrangement is approved by the Board at a meeting in which the interested Director, Supervisor, General Manager or other member of senior management is not counted in the quorum and refrained from voting, a contract, transaction or arrangement in which that Director, Supervisor, our General

Manager or other member of senior management is materially interested is voidable at the option of the Company except as against a bona fide party thereto acting without notice of the breach of duty by the interested Director, Supervisor, our General Manager or other member of senior management.

For these purposes, a Director, Supervisor, our General Manager or other member of senior management of the Company is deemed to be interested in a contract, transaction or arrangement in which an Related Person with the meaning set out under the sub-section "Duties" below of his/hers is interested.

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

#### **Appointment, Removal and Retirement**

The term of office of the chairman of the Board and the other Board members shall be three years. If the term of appointment of a Director expires and he is re-elected, the Director may be reappointed for consecutive terms.

Directors shall be elected and removed by the shareholders' general meeting. A written notice of the intention to propose a person for election as director and a notice in writing by that person indicating his/her acceptance of such election is required to be given to the Company after the issue of notice of the relevant shareholders' general meeting for such election and no less than 7 days prior to commencement of such meeting.

The Board shall consist of 9 Directors. The Board shall have one chairman and may have one vice-chairman. The chairman and vice chairman shall be elected and removed by a majority of all of the Directors. A Director is not required to hold shares of the Company.

A person may not serve as a Director, Supervisor, our General Manager and any other member of senior management of the Company if any of the following circumstances apply:

- a person without or with restricted capacity of civil conduct;
- a person who has committed an offence of corruption, bribery, infringement of property, misappropriation of property or sabotaging the social economic order and has been punished because of committing such offence; or who has been deprived of his/her political rights, in each case where no more than five (5) years has elapsed since the date of the completion of implementation of such punishment or deprivation;
- a person who is a former director, factory manager or manager of a company or enterprise which has entered into insolvent liquidation because of mismanagement and he is personally liable for the insolvency of such company or enterprise, where no more than three (3) years has elapsed since the date of the completion of the insolvency and liquidation of such company or enterprise;

- a person who is a former legal representative of a company or enterprise which had its business license revoked due to a violation of the law and who incurred personal liability, where no more than three (3) years has elapsed since the date of the revocation of the business license;
- a person who has a relatively large amount of debts due and outstanding;
- a person who has been prohibited from entering the securities market by the CSRC, and the term of such prohibition has not expired;
- a non-natural person; or
- such other circumstances prescribed by laws, administrative regulations and departmental rules.

There is no provision in the Articles of Association which imposes any age limit for Directors beyond which retirement as a Director is mandatory.

### **Borrowing Powers**

Subject to compliance with applicable laws and administrative regulations of the PRC and Hong Kong Listing Rules, the Company has the power to raise and borrow money, which includes, without limitation, the issue of debentures and the charging or mortgaging of part or whole of the Company's properties. The Articles of Association do not contain any specific provision in respect of the manner in which borrowing powers may be exercised by the Directors nor do they contain any specific provision in respect of the manner in which such powers may be varied, other than: (a) provisions which give the Directors the power to formulate proposals for the issue of bonds by the Company; and (b) provisions which provide that the issue of bonds must be approved by the shareholders' general meeting by way of a special resolution.

### **Duties**

In addition to obligations imposed by laws, administrative regulations or required by the stock exchanges on which Shares are listed, each of the Company's Directors, Supervisors, our General Manager and other members of senior management owes a duty to each shareholder, in the exercise of the functions and powers that the Company entrusted to him/her:

- not to cause the Company to exceed the scope of the business stipulated in its business license;
- to act honestly in the best interest of the Company;
- not to expropriate the Company's property, including (without limitation) usurpation of opportunities advantageous to the Company; and
- not to expropriate the individual rights of shareholders, including (without limitation) rights to distribution and voting rights, save pursuant to a restructuring of the Company approved by the shareholders' general meeting in accordance with the Articles of Association.

Each of the Company's Directors, Supervisors, our General Manager and other members of senior management owes a duty, in the exercise of his/her powers and discharge of his/her duties, to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Each of the Company's Directors, Supervisors, our General Manager and other members

of senior management shall exercise his/her powers or carry on his/her duties in accordance with the principle of fiduciary and shall not put himself/herself in a position where his/her duty and his/her interest may conflict. This principle includes (without limitation) discharging the following obligations:

- to act honestly in the best interests of the Company;
- to exercise powers within the scope of his/her powers and not to exceed those powers;
- to exercise the discretion vested in him/her personally and not to allow himself/herself 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' general meeting, not to delegate the exercise of his/her discretion to others;
- to treat shareholders of the same class equally and to treat shareholders of different classes fairly;
- except in accordance with the Articles of Association or with the informed consent of shareholders' general meeting, not to enter into any contract, transaction or arrangement with the Company;
- without the informed consent of shareholders' general meeting, not to use the Company's property for his/her own benefit;
- not to exploit his/her position to accept bribes or other illegal income or expropriate the Company's property by any means, including (without limitation) opportunities advantageous to the Company;
- without the informed consent of shareholders' general meeting, not to accept commissions in connection with the Company's transactions;
- to abide by the Articles of Association, faithfully execute his/her official duties and protect the Company's interests, and not to exploit his/her position and power in the Company to advance his/her own private interests;
- not to compete with the Company in any form without the informed consent of shareholders' general meeting;
- not to misappropriate the Company's funds or lend such funds to others, not to open accounts in his/her own name or other names for the deposit of the Company's assets and not to provide a security for debts of a shareholder of the Company or other individual(s) with the Company's assets; and
- unless otherwise permitted by informed shareholders' general meeting, not to disclose any confidential information acquired by him/her in the course of and during his/her tenure of office and not to use the information other than in furtherance of the interests of the Company, save that disclosure of such information to the court or other governmental authorities is permitted if: (i) disclosure is required by law; (ii) the interests of the public require disclosure; (iii) the interests of the relevant Director, Supervisor, our General Manager or other member of senior management require disclosure.

Each Director, Supervisor, our General Manager or other member of senior management of the Company shall not cause the following persons or institutions (“Related Persons”) to do what he is prohibited from doing:

- (1) the spouse or minor children of that Director, Supervisor, our General Manager or other member of senior management;
- (2) a trustee of that Director, Supervisor, our General Manager or other member of senior management or any person referred to in the preceding paragraph;
- (3) a partner of that Director, Supervisor, our General Manager or other member of senior management or any person referred to in paragraphs (1) and (2) above;
- (4) a company in which that Director, Supervisor, our General Manager or other member of senior management, alone or jointly with one or more persons referred to in paragraphs (1), (2) and (3) above and other Directors, Supervisors, our General Manager and other members of senior management have a de facto controlling interest; and
- (5) the directors, supervisors, general manager and other members of senior management of the controlled company referred to in the preceding paragraph.

The fiduciary duties of the Directors, Supervisors, our General Manager and other members of senior management of the Company do not necessarily cease upon the termination of their tenure. The duty of confidence in relation to trade secrets of the Company survives the termination of their tenure. Other duties may continue for such period on a fair basis depending on the time lapse between the termination and the act concerned and the circumstances and conditions under which the relationships between them and the Company are terminated.

In addition to any rights and remedies provided by the laws and administrative regulations, where a Director, Supervisor, General Manager or other member of senior management of the Company is in breach of his/her duties to the Company, the Company has a right to:

- claim damages from the Director, Supervisor, our General Manager or other member of senior management in compensation for losses sustained by the Company as a result of his/her neglect of duties;
- rescind any contract or transaction entered into by the Company with the Director, Supervisor, our General Manager or other member of senior management or with a third party (where such third party knows or should know that there is such a breach of duties by such Director, Supervisor, our General Manager or other member of senior management);
- require the relevant Director, Supervisor, General Manager or other member of senior management return the benefits received by him/her as a result of the breach of the obligations;
- recover any funds received by the Director, Supervisor, our General Manager or other member of senior management that should have been received by the Company, including (without limitation) commissions; and



- require the relevant Director, Supervisor, the General Manager or other members of the senior management to return the interest that is earned or may have been earned from the fund which should have been payable to the Company.

#### **ALTERATIONS TO CONSTITUTIONAL DOCUMENTS**

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

Amendments to the Articles of Association involving the contents of the Mandatory Provisions shall become effective upon approvals by the companies approving department authorized by the State Council and the CSRC. If there is any change relating to the registered particulars of the Company, application shall be made for registration of the changes in accordance with law.

#### **VARIATION OF RIGHTS OF EXISTING SHARES OR CLASSES OF SHARES**

Apart from the holders of other class of shares, holders of Domestic Shares and holders of overseas listed foreign Shares of the Company are deemed to be different classes of shareholders.

Rights conferred on any class of shareholders in the capacity of shareholders (“class rights”) may not be varied or abrogated unless approved by a special resolution of shareholders’ general meeting and by holders of Shares of that class at a separate meeting conducted in accordance with the Articles of Association.

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

- (1) to increase or reduce the number of shares of that class or the increase or reduce the number of shares of another class which carries the same or more voting rights, distribution right or other privileges;
- (2) to effect an exchange of all or part of the Shares of such class into Shares of another class or to effect an exchange or create a right of exchange of all or part of the Shares of another class into the Shares of such class;
- (3) to remove or reduce rights to accrued dividends or rights to cumulative dividends attached to Shares of such class;
- (4) to reduce or remove a dividend preference or a liquidation preference attached to Shares of such class;
- (5) to add, remove or reduce conversion privileges, options, voting rights, transfer or pre-emptive rights, or rights to acquire securities of the Company attached to Shares of such class;
- (6) to remove or reduce rights to receive payment payable by the Company in particular currencies attached to Shares of such class;
- (7) to create a new class of Shares having voting or distributing rights or other privileges equal or superior to those of the Shares of such class;
- (8) to restrict the transfer or ownership of the Shares of such class or add to such restriction;

- (9) to allot and issue rights to subscribe for, or convert into, shares in the Company of such class or another class;
- (10) to increase the rights or privileges of Shares of another class;
- (11) to restructure the Company where the proposed restructuring will result in different classes of shareholders bearing a disproportionate burden of such proposed restructuring; and
- (12) to vary or abrogate provisions of the Articles of Association.

Shareholders of the affected class, whether or not otherwise having the right to vote at shareholders' general meetings, shall nevertheless have the right to vote at class meetings in respect of matters concerning paragraphs (2) to (8), (11) and (12) above, but interested shareholder(s) (as defined below) shall not be entitled to vote at class meetings.

Resolutions of a class of shareholders shall be passed by votes representing more than two thirds of the voting rights represented at the relevant meeting who are entitled to vote at class meetings.

Written notice of a class meeting shall be given forty-five (45) days before the date of the class meeting to notify all of the shareholders in the share register of the class of the matters to be considered and the date and the place of the class meeting. A shareholder who intends to attend the class meeting shall deliver his/her written reply concerning attendance at the class meeting to the Company twenty (20) days before the date of the class meeting.

If the number of Shares carrying voting rights at the meeting represented by the shareholders who intend to attend the class meeting reaches more than half of the voting Shares at the class meeting, the Company may hold the class meeting; if not, the Company shall within five (5) days notify the shareholders of the class by public announcement, of the matters to be considered, the date and the place for the class meeting. The Company may then hold the class meeting after publication of such notice.

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

Meetings of any class of shareholders shall be conducted in a manner as similar as possible to that of shareholders' general meetings. The provisions of the Articles of Association relating to the manner of conducting any shareholders' general meeting shall apply to any meeting of a class of shareholders.

The special procedures for voting at a class of shareholders shall not apply in the following circumstances:

- (1) where the Company issues domestic-invested Shares and overseas-listed foreign invested Shares, upon the approval by a special resolution of its shareholders' general meeting, either separately or concurrently once every twelve months, not exceeding 20% of each of its existing issued;
- (2) where the Company's plan to issue domestic-invested Shares and overseas-listed foreign invested Shares at the time of its establishment is carried out within fifteen (15) months from the date of approval of the CSRC; or

- (3) where upon the approval from the State Council securities regulatory authority and other approving authority (if applicable), the domestic shareholders of the Company may transfer the domestic shares held thereby to overseas investors and such transferred shares may be listed or traded on an overseas stock exchange.

For the purposes of the class rights provisions of the Articles of Association, the meaning of “interested shareholder(s)” is

- (1) in the case of a repurchase of Shares by offers to all shareholders pro rata or public dealing on a stock exchange, a “controlling shareholder” within the meaning of the Articles of Association;
- (2) in the case of a repurchase of Shares by an off-market contract, a holder of the Shares to which the proposed contract relates; and
- (3) in the case of a restructuring of the Company, a shareholder within a class who bears less than a proportionate burden imposed on that class under the proposed restructuring or who has an interest in the proposed restructuring different from the interest of shareholders of that class.

#### **RESOLUTIONS MAJORITY REQUIRED**

Resolutions of shareholders’ general meetings shall be divided into ordinary resolutions and special resolutions.

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

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

#### **VOTING RIGHTS (GENERALLY, ON A POLL AND RIGHT TO DEMAND A POLL)**

The ordinary shareholders of the Company have the right to attend or appoint a proxy to attend shareholders’ general meetings and to vote thereat. A shareholder (including proxy) when voting at a shareholders’ general meeting may exercise voting rights in accordance with the number of shares carrying the right to vote and each share shall have one vote. At any general meeting of shareholders a resolution shall be decided by a show of hands unless a poll is (before or after any vote by show of hands) demanded:

- by the chairman of the meeting;
- by at least two shareholders entitled to vote present in person or by proxy; or
- by one or more shareholders present in person or by proxy and representing more than 10% of all shares carrying the right to vote at the meeting.

Unless a poll be so demanded, a declaration by the chairman that a resolution has on a show of hands been carried, and an entry to that effect in the minutes of the meeting shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favor of or against such resolution. The demand for a poll may be withdrawn by the person who makes such demand.

A poll demanded on the election of the chairman of the meeting, or on an issue of adjournment of the meeting, shall be taken forthwith. A poll demanded on any other issue shall be taken at such time as the chairman of the meeting directs, and any business, other than that upon which a poll has been demanded may be proceeded with, pending the taking of the poll. The result of the poll shall be deemed to be a resolution of the meeting at which the poll was demanded.

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

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

#### **REQUIREMENTS FOR ANNUAL GENERAL MEETINGS**

The Board shall convene an annual shareholders' general meeting once a year and within six (6) months from the end of the preceding financial year.

#### **ACCOUNTS AND AUDIT**

The Company shall establish its financial and accounting system in accordance with the laws, administrative regulations and provisions of relevant departments of the State.

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

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

The financial statements of the Company shall, in addition to being prepared in accordance with PRC accounting standards and regulations, be prepared in accordance with either International Financial Reporting Standards, or that of the overseas place where the Company's shares are listed. If there is any material difference between the financial statements prepared respectively in accordance with the two accounting standards, such difference shall be stated in an appendix to the financial statements. When the Company is to distribute its after-tax profit, it is required to distribute dividends based on the lower of the Company's distributable after-tax profit determined under the two accounting standards.

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

The Company shall publish its financial reports twice every fiscal year, that is, the interim financial report shall be published within sixty (60) days after the expiration of the first six (6) months of each fiscal year and the annual financial report shall be published within one hundred and twenty (120) days after the expiration of each fiscal year.

#### **NOTICE OF MEETINGS AND BUSINESS TO BE CONDUCTED THEREAT**

The shareholders' general meeting is the organ of authority of the Company and shall exercise its functions and powers in accordance with law. The Company shall not, without the prior approval of shareholders' general meeting by a way of a special resolution, enter into any contract with any person other than a Director, Supervisor, our General Manager or other member of senior management whereby the management and administration of the whole or any substantial part of the business of the Company is to be handed over to such person. Shareholders' general meetings are divided into annual general meetings and extraordinary general meetings. Under any of the following circumstances, the Board shall convene an extraordinary general meeting within two (2) months:

- when the number of Directors is less than the number of Directors required by the PRC Company Law or two-thirds of the number of Directors specified in the Articles of Association;
- when the unrecovered losses of the Company amount to one-third of the total amount of its share capital;
- when shareholder(s), individually or jointly holding 10% or more of the Company's issued and outstanding shares carrying voting rights request(s) the convening of an extraordinary general meeting;
- when deemed necessary by the Board or as requested by the supervisory committee; or
- the other circumstance as stipulated by laws, administrative regulations, departmental rules, securities regulations of the locality where the Company's shares are listed and the Articles of Association.

When the Company convenes a shareholders' general meeting, written notice of the meeting shall be given forty-five (45) days not including the date of issuance of the notice or the date of convening the meeting before the date of the meeting to notify all of the shareholders in the share register of the matters to be considered and the date and the place of the meeting. A shareholder who intends to attend the meeting shall deliver his/her written reply concerning the attendance of the meeting to the Company twenty (20) days not including the date of issuance of the notice or the date of convening the meeting before the date of the meeting.

Shareholders who hold either alone or in aggregate 3% or more of voting shares may raise interim motions ten (10) days before the date of the meeting and submit them in writing to the convener. The convener shall issue a supplementary notice within 2 days from receipt of such motions to announce the content of interim motion and submit it to the shareholders' general meeting for examination.

A shareholders' extraordinary general meeting shall not decide on those matters not stated in the notice of meeting.

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

A notice of meeting of shareholders shall be required to:

- be in writing;
- specify the place, the date and the hour of the meeting;
- list out the share registration date of shareholders who are entitled to attend the meeting;
- state the matters and motions to be discussed at the meeting;
- provide such information and explanations as are necessary for the shareholders to exercise a sensible judgment on the proposals before them. Without limiting the generality of the foregoing, where a proposal is made to amalgamate the Company with another, to repurchase shares, to reorganize the share capital or to restructure the Company in any other way, the terms of the proposed transaction must be provided in detail together with copies of the proposed agreement, if any, and the cause and effect of such proposal must be properly explained;
- contain a disclosure of the nature and extent, if any, of the material interests of any Director, Supervisor, our General Manager or other member of senior management in the transaction proposed and the effect of the proposed transaction on them in their capacity as shareholders in so far as it is different from the effect on the interests of the shareholders of the same class;
- contain the full text of any special resolution proposed to be voted at the meeting;
- contain conspicuously a statement that a shareholder entitled to attend and vote is entitled to appoint one or more proxies to attend and vote on behalf of him/her and that a proxy need not be a shareholder;
- specify the time and place for delivering proxy forms for the relevant meeting;
- specify the name and phone number of the permanent contact person for the meeting; and
- where the shareholders' general meeting is convened through the internet or by other means, to provide a clear description on the time and procedure of the voting process through internet or by other means.

Notice of shareholders' general meeting shall be served on the shareholders (whether or not entitled to vote at the meeting), by personal delivery or prepaid mail to their addresses as shown in the register of shareholders. For the holders of Domestic Shares, notice of the meetings may be issued by way of public announcement.

The public notice referred to in the preceding paragraph shall be published in one or more newspapers designated by the securities supervisory authority of the State Council within the interval between forty-five (45) days and fifty (50) days before the date of the meeting. After the publication of such notice, the holders of domestic invested Shares shall be deemed to have received the notice of the relevant shareholders' general meeting. Notice of shareholders' general meeting shall be served on the shareholders of H Shares, by publication on the website of Hong Kong Stock Exchange, or one or more designated newspapers. After the publication of such notice, all holders of H Shares shall be deemed to have received the notice of relevant shareholders' general meeting. The accidental omission to give notice of a meeting to, or the non-receipt of notice of a meeting by, any person entitled to receive notice shall not invalidate the proceedings at that meeting and the resolution adopted thereat.

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

- work reports of the Board and the supervisory committee;
- plans formulated by the Board for the distribution of profits and for making up losses;
- appointment and removal of the members of the Board and members of the supervisory committee, their remuneration and method of payment;
- annual financial budgets, statement of final accounts, balance sheets, profit and loss statements and other financial statements and annual report of the Company; and
- matters other than those required by the laws and administrative regulations or by the Articles of Association to be adopted by special resolution.

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

- the increase or decrease of share capital;
- the buyback of the Shares, the issue of shares of any class, warrants and other similar securities;
- the division, merger, dissolution, liquidation of the Company;
- amendments to the Articles of Association;
- Any asset disposals other than daily operations of the Company and its controlled subsidiaries with the total asset or transaction amount exceeding thirty percent (30%) of the Company's latest audited total assets, calculated according to the twelve (12) consecutive months accumulative principle, regardless the subject matter of the transaction is connected in nature or not (except asset disposals incurred between the Company and its controlled subsidiaries, among the Company's controlled subsidiaries);
- any guarantee provided after the total amount of external guarantee provided by the Company and its controlled subsidiaries, calculated according to the twelve (12) consecutive months accumulative principle for the amount of guarantees has exceeded thirty percent (30%) of the Company's latest total audited assets;
- the stock incentive plan;

- adjustment of dividend distribution policy; and
- any other matters stipulated by law, administrative regulation or Articles of Association, and matters considered by the shareholders' general meeting, by way of an ordinary resolution, to be of a nature which may have a material impact on the Company and should be adopted by a special resolution.

**TRANSFER OF SHARES**

Shares of the Company held by the Promoter are not transferable within one (1) year commencing from the date of establishment of the Company. Shares of the Company that are already in issue prior to its public offering are not transferable within one (1) year commencing from the date on which the shares of the Company were listed and traded on a stock exchange.

The Directors, Supervisors and senior officers of the Company shall report to the Company the number of shares held by them in the Company and the subsequent changes in their shareholdings. The number of shares which a Director, Supervisor or senior officer may transfer every year during his/her term of office shall not exceed 25% of the total number of the Company's shares in his or her possession; and shares of the Company in his or her possession are not transferable within one (1) year commencing from the date on which the shares of the Company were listed and traded on a stock exchange. Such personnel shall not transfer the Company's shares in their possession within six (6) months after they have terminated their employment with the Company.

Any gains from the sale of shares of the Company by any Company's Director, Supervisor, senior officer or shareholders holding 5% or more of the shares in the Company within six (6) months after purchasing such shares, or thereafter any gains from repurchasing such shares in the Company within six (6) months after the sale thereof, shall be vested in by the Company. The Board of the Company shall forfeit such gains from the abovementioned parties. However, where the securities company, as the sole underwriter, purchases all the unsold stocks and therefore holds 5% or more of the shares in the Company, sale of such stocks is exempted from the six-month restriction.

If the Board of the Company fails to comply with the provision set forth in the preceding paragraph, a shareholder shall have the right to require the Board to effect the same within thirty (30) days. If the Board fails to do so within the said time limit, a shareholder shall have the right to initiate proceedings in a court directly in his own name in the interest of the Company.

If the Board of the Company fails to comply with the provision set forth in the fourth paragraph, the responsible Director(s) shall be jointly and severally liable therefore in accordance with the law.

**POWER OF THE COMPANY TO PURCHASE ITS OWN SHARES**

In accordance with the provisions of the Articles of Association, the Company may reduce its registered share capital. The Company may, in accordance with the provisions set out in the Laws, administrative regulations, departmental rules and Article of Association:

- cancellation of shares for the reduction of its capital;
- merging with another company that holds shares in the Company;
- awarding shares to the Company's employees; or



- being requested to repurchase the shares of the Company by the shareholders who object to the resolution adopted at the shareholders' general meeting concerning merger and division of the Company.
- and other circumstances permitted by laws and administrative regulations;

The Company may, with the approval of the relevant competent authority of the state, repurchase its shares, conducting the repurchase in one of the following ways:

- making a pro rata general offer of repurchase to all of its shareholders;
- repurchase shares through public dealing on a stock exchange;
- repurchase by an agreement outside a stock exchange; or
- other circumstances permitted by laws and administrative regulations.

Where the Company repurchases its shares by an off-market agreement, the prior sanction of shareholders' general meeting shall be obtained in accordance with the Articles of Association. The Company may release, vary or waive its rights under a contract so entered into by the Company with the prior approval of shareholders' general meeting obtained in the same manner.

A contract to repurchase shares includes (without limitation) an agreement to become obliged to repurchase or an acquisition of the right to repurchase shares. The Company shall not assign the contracts to repurchase shares and its rights under such contracts.

Shares repurchased in accordance with law by the Company shall be cancelled within the period prescribed by laws and administrative regulations, and the Company shall apply to the original company registration authority for registration of the change of its registered shares capital. The amount of the Company's registered shares capital shall be reduced by the aggregate par value of those cancelled shares.

Unless the Company is in the course of liquidation, it must comply with the following provisions in relation to repurchase of its issued Shares:

- where the Company repurchases Shares of the Company at par value, payment shall be made out of book surplus distributable profits of the Company or out of proceeds of a new issue of Shares made for that purpose;
- where the Company repurchases Shares of the Company at a premium to its par value, payment up to the par value shall be made out of the book surplus distributable profits of the Company or out of the proceeds of a fresh issue of Shares made for that purpose;

Payment of the portion in excess of the par value shall be effected as follows: (i) if the Shares being repurchased were issued at par value, payment shall be made out of the book surplus distributable profits of the Company; or (ii) if the Shares being repurchased were issued at a premium to its par value, payment shall be made out of the book surplus distributable profits of the Company or out of the proceeds of a new issue of Shares made for that purpose, provided that the amount paid out of the proceed of the new issue shall not exceed the aggregate of premiums

received by the Company on the issue of the Shares repurchased nor the current amount of the Company's share premium account (or the Company's capital reserve fund account) (including the premiums on the fresh issue);

- payment by the Company in consideration of the following shall be made out of the Company's distributable profits: (i) acquisition of rights to repurchase Shares of the Company; (ii) variation of any contract to repurchase Shares of the Company; and (iii) release of any of the Company's obligations under any contract to repurchase Shares of the Company; and
- after the Company's registered share capital has been reduced by the total par value of the cancelled Shares in accordance with the relevant provisions, the amount deducted from the distributable profits of the Company for payment of the par value portion of the Shares repurchased shall be transferred to the Company's share premium account (or the Company's capital reserve fund account).

#### **POWER OF ANY SUBSIDIARY OF THE COMPANY TO OWN SHARES IN THE COMPANY**

There are no provisions in the Articles of Association preventing ownership of Shares in the Company by a subsidiary.

#### **DIVIDENDS AND DISTRIBUTION METHODS**

Dividend distribution policy:

- (1) The Company in principle aims to have a continuous and stable dividend distribution policy. The Company's dividend distribution policy takes into consideration the need to provide reasonable investment returns to investors as well as the continuous development of the company.
- (2) The company may distribute dividends annually by way of cash, shares or a combination of cash and shares. In some cases the Company may also distribute cash dividends in the interim periods.
- (3) The Company distributes dividends in cash if it has profits in the current financial year and the accumulated undistributed profits is positive, and at the same time it has no major investment plan or significant cash payment obligations. In principle, cash dividend distributed per share should be no less than 10% of earnings per share. The detailed dividend distribution plan should be decided by general meeting of Shareholders, taking into consideration the Company's business performance of the financial year.
- (4) The dividend distribution plan should be prepared and reviewed by the Board of Directors. Upon the Board's approval, the plan should be submitted to general meeting of Shareholders for approval. Independent directors shall give explicit opinions of the dividends distribution plan. When preparing the dividends distribution plan, the board of directors should fully consider the opinions of the Independent Directors, the Board of Supervisors and public investors.

If the Board of Directors decide not to distribute dividends, the Board of Directors should explain in detail why the distribution is not made and how the Company uses or plans to use the undistributed profits. Independent Directors shall give independent opinions on this matter.

- (5) If the company needs to adjust dividends distribution policy due to major changes of its business environment and operating conditions, the company shall explain in details the reasons for such adjustment. The adjustment should be reviewed and approved by the Board of Directors and then approved by special resolution of general meeting. Independent directors shall give independent opinions of the dividends distribution policy adjustment.
- (6) If a shareholder is found to have misappropriated the Company's funds, the Company should correspondingly reduce the cash dividend distribution to this shareholder in order to replenish the misappropriated funds.

When the Company pays cash dividends and other funds to the holders of domestic Shares, payment shall be made in RMB. When the Company pays cash dividends and other funds to holders of H Shares, payment shall be denominated in RMB and paid in Hong Kong dollars. The foreign exchange required by the Company to pay cash dividends and other funds to holders of H Shares shall be handled in accordance with the related regulations of SAFE.

The dividend from any Share paid prior to a capital call is entitled to interest, but the holder of the Shares is not entitled to the dividend declared after the call.

The Company shall appoint, on behalf of holders of overseas listed foreign Shares, receiving agents to receive dividends and other payable funds that are distributed with respect to our overseas listed foreign Shares.

The receiving agents appointed by the Company shall comply with related provisions of the laws or the securities exchange where the Shares are listed.

After our general Shareholders' meeting adopts a resolution on the profit distribution plan, the Board of Directors must finish the distribution of dividends (or shares) within two months after our general Shareholders' Meeting is held.

#### **PROXIES**

Any shareholder entitled to attend and vote at a meeting of the Company shall be entitled to appoint one or more other persons (whether a shareholder or not) as his/her proxy to attend and vote on his/her behalf, and a proxy so appointed shall:

- have the same right as the shareholder to speak at the meeting;
- have authority to demand or join in demanding a poll; and
- have the right to vote by hand or on a poll, but a proxy of a shareholder who has appointed more than one proxy may only vote on a poll.

The instrument appointing a proxy shall be in writing signed by the shareholder or signed by the shareholder's agent duly authorized in writing, or if the shareholder is a legal entity, either sealed by the shareholder or signed by a director or agent duly authorized. The instrument appointing a voting proxy and, if such instrument is signed by a person under a power of attorney or other authority on behalf of the appointer, a notary certified copy of that power of attorney or other authority, shall be deposited at the residence of the Company or at such other place as is specified for that purpose in the notice convening the meeting, not less than twenty-four (24) hours before the time for holding the meeting at which the proxy proposes to vote or the time appointed for the passing of the resolution.

If the appointer is a legal entity, its legal representative or such person as is authorized by resolution of its board of directors or other governing body to act as its representative may attend at any meeting of shareholders of the Company as a representative of the appointer.

Any form issued to a shareholder by the Board for use by him/her for appointing a proxy to attend and vote at a meeting of the Company shall be such as to enable the shareholder according to his/her intention, to instruct the proxy to vote in favor of or against each resolution dealing with matters to be voted at the meeting. Such a form shall contain a statement that in the absence of instructions by the shareholder the proxy may vote as he thinks fit.

A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous death or loss of capacity of the appointer or 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 death, insanity, revocation or transfer as aforesaid shall have been received by the Company before the commencement of the meeting at which proxy is used.

#### **CALLS ON SHARES AND FORFEITURE OF SHARES**

There are no provisions in the Articles of Association relating to the making of calls on Shares or for the forfeiture of Shares.

#### **RIGHTS OF SHAREHOLDERS (INCLUDING INSPECTION OF REGISTER)**

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

- the right to dividends and other distributions in proportion to the number of Shares held;
- the right to request, convene, chair, attend or appoint a proxy to attend shareholders' general meetings and to vote thereat;
- the right of supervisory management over the Company's business operations, and the rights to present proposals or to raise enquires;
- the right to transfer, bestow or pledge shares in accordance with laws, administrative regulations and provisions of the Articles of Association;
- the right to obtain relevant information in accordance with the provisions of the Articles of Association, including: (i) the right to obtain a copy of the Articles of Association, subject to payment of the cost of such copy; (ii) the right to inspect and copy, subject to payment of a reasonable charge: (a) all parts of the register of shareholders; (b) personal particulars of each of our Directors, Supervisors, General Manager and other members of senior management as follows:

(1) present name and alias and any former name and alias; (2) principal address (residence); (3) nationality; (4) full-time and all other part-time occupations and positions; and (5) identification document and its number; (c) report on the state of the Company's share capital; (d) reports showing aggregate par value, quantity, maximum and minimum price paid in respect of each class of Shares repurchased by the Company since the end of the last accounting year and the aggregate amount incurred by the Company for this purpose; (e) minutes of shareholders' general meetings, resolutions of meetings of Board and meetings of supervisory committee;

- the right to request our Company to purchase Shares of Shareholders objecting to a resolution adopted at the general Shareholders' meeting concerning the merger or separation of the Company;
- in the event of the termination or liquidation of the Company, to participate in the distribution of remaining assets of the Company in accordance with the number of Shares held; and
- other rights conferred by laws, administrative regulations and the Articles of Association.

#### **RIGHTS OF THE MINORITIES IN RELATION TO FRAUD OR OPPRESSION**

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

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

For these purposes, a "controlling shareholder" means a person who satisfies any one of the following conditions:

- he alone, or acting in concert with others, has the power to elect more than half of the Board of Directors;
- he alone, or acting in concert with others, has the power to exercise or to control the exercise of 30% or more of the voting rights in the Company;
- he alone, or acting in concert with others, holds 30% or more of the issued and outstanding shares of the Company; or

- he alone, or acting in concert with others, in any other manner has de facto control of the Company.

See also the section headed “— Variation of Rights of Existing Shares or Classes of Shares” above.

### **PROCEDURES ON LIQUIDATION**

The Company shall be dissolved and liquidated upon the occurrence of any of the following events:

- a resolution for dissolution is passed by shareholders’ general meeting; or
- dissolution is necessary due to a merger or division of the Company;
- the term of operations of the Company specified in the Articles of Association expires or any other events of dissolution specified in the Articles of Association occur;
- being ordered to close down, revocation of business license, or being dissolved in accordance with law; or
- a court order of dissolution of the Company by the people’s court in accordance with Article 183 of the Company Law.

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

Upon the passing of the resolution by the shareholders’ general meeting for the liquidation of the Company, all functions and powers of the Board shall cease.

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

### **OTHER PROVISIONS MATERIAL TO THE COMPANY AND OUR SHAREHOLDERS**

#### **General Provisions**

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

The Articles of Association constitute a legally binding document regulating the Company’s organization and activities, and the rights and obligations between the Company and each shareholder and among the shareholders inter se on the date on which they become effective.

The Company may invest in other enterprises, provided that it shall not be a shareholder bearing joint and several liabilities for the invested enterprises’ debt unless the law provide otherwise.

The Company may, based on its requirements for operation and development and in accordance with the relevant provisions of the Articles of Association, approve an increase of capital.

The Company may increase its capital in the following ways:

- offering new shares to non-specialty-designated investors for subscription;
- placing new shares to its existing shareholders;
- distributing new shares to its existing shareholders by way of bonus issues; and
- any other way permitted by law and administrative regulations.

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

Unless otherwise provided by law or administrative regulation, paid-up shares in the Company are freely transferable and are not subject to any lien.

When the Company reduces its registered share capital, it must draw up a balance sheet and an inventory of assets. The Company shall notify its creditors within ten (10) days of the date of the Company's resolution for reduction of share capital and shall publish a notice in China Securities Journal, Shanghai Securities News and Securities Times within thirty (30) days of the date of such resolution. A creditor has the right within thirty (30) days of receiving the notice from the Company or, in the case of a creditor who does not receive the notice, within forty-five (45) days of the date of the first public notice, to demand the Company to repay its debts or provide a corresponding security for such debt. The Company's registered capital after reduction shall not be less than the statutory minimum amount.

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

### **Board**

The Board is responsible to the shareholders' general meeting and exercises the following powers:

- to be responsible for convening shareholders' general meetings and to report on its work to the shareholders' general meeting;
- to implement the resolutions of the shareholders' general meetings;
- to decide on the Company's business plans and investment plans;
- to formulate the Company's annual financial budget and final accounts;
- to formulate the Company's profit distribution plan and loss recovery plan;
- to formulate proposals for the increases or decrease of the Company's registered capital and the issuance of corporate debentures or other securities of the Company and listing plans;
- to formulate the plans for substantial acquisition, acquisition of shares of the Company, merger, division, change of form or dissolution of the Company;

- except it is otherwise stipulated by the laws, administrative regulations, departmental rules, relevant regulations of the securities regulatory authorities of the location where the Company's shares are listed and these Articles of Association, to decide upon the asset disposal of the Company and its controlled subsidiaries except those reviewed by the general meeting, decide upon the asset disposals between the Company and its controlled subsidiaries, among its controlled subsidiaries, and decide upon the merger or division of its controlled subsidiaries;
- to decide on the establishment of the Company's internal management structure;
- to appoint or remove the Company's General Manager and the secretary of the board of directors. Based on the recommendations of the General Manager, to appoint or remove deputy General Manager, chief financial officer and other members of senior management, and to decide on their remuneration, incentives and punishments matters;
- to formulate the Company's basic management system;
- to formulate proposals for any amendment to the Articles of Association;
- to manage the disclosure of company information;
- to propose the appointment or replacement of the accounting firm that performs audits for our Company;
- to attend to the work report of our general manager and review the work of the general manager, and
- to perform other duties authorized by laws, administrative regulations, department rules, the shareholders' general meeting and the Articles of Association.

Except for the Board's resolutions in respect of the matters specified in the above paragraphs (6), (7) and (12), which shall be passed by more than two-thirds of the Directors, the Board resolutions in respect of all other matters may be passed by more than half of the Directors.

Meetings of the Board shall be held at least four times a year at approximately quarterly intervals and convened by the chairman of the Board. Notice of the meeting shall be served on all of the Directors fourteen (14) days before the date of the meeting. Where more than one-third of the Directors, or shareholders representing more than one-tenth of the voting rights, or the supervisory committee of the Company so proposes, an extraordinary meeting of the Board may be held.

Meetings of the Board shall be held only if more than one half of the Directors are present. Each Director shall have one vote. Where the number of votes cast for and against a resolution is equal, the chairman of the Board shall have a casting vote.

#### **Supervisory Committee**

The Company shall have a supervisory committee. The Directors, our General Manager and other members of senior management, including but not limited to our Chief Financial Officer, shall not act concurrently as Supervisors. The supervisory committee shall be composed of 3 Supervisors. One of the members of the supervisory committee shall act as the chairman. The term of office of Supervisors shall



be three years, renewable upon re-election and reappointment. The election or removal of the chairman of the supervisory committee shall be determined by two-thirds or more of the members of the supervisory committee. Decisions of the supervisory committee shall be made by the affirmative vote of two-thirds or more of the Supervisors.

The Supervisory Committee shall comprise an appropriate ratio of the staff representative of the Company, which shall not be less than one-third (1/3) of the total number of members of the Supervisory Committee. Supervisors, except staff supervisors, shall be appointed or dismissed by the shareholders' general meeting, while staff representatives shall be appointed at staff representative meetings, staff meetings or by other forms of democratic election by the staff of the Company.

The supervisory committee shall be accountable to the shareholders' general meeting and exercise the following powers in accordance with law:

- to review and provide written opinions on the regular reports prepared by the Board of Directors from time to time;
- to examine the Company's financial situation;
- to supervise the performance by the Directors, General Manager and other members of senior management of their duties, and propose to remove the aforesaid personnel for violation of the applicable laws, regulations, the Articles of Association or resolutions of shareholder's general meetings;
- to demand rectification from a Director, General Manager and other members of senior management when the acts of such persons are harmful to the Company's interest if necessary;
- to verify the financial information such as the financial report, business report and plans for distribution of profits to be submitted by the Board to the shareholders' general meetings and, should any queries arise, to engage, in the name of the Company, qualified accounting and auditing firms for a re-rectification on aforesaid information;
- to propose to convene an extraordinary shareholders' general meeting and to convene and preside over the shareholders' general meeting when the Board of the Company fails to perform the duties of convening and presiding over the shareholders' general meeting as stipulated in the PRC Company Law;
- to represent the Company in communication with Directors or institute proceedings against the Directors, General Manager and other members of senior management in accordance with the Provisions of the PRC Company Law;
- to make proposals to the shareholders' general meeting;
- To conduct investigations whenever unusual conditions of operation of the Company are found and if necessary, to engage professional institutions such as firms of accountants and lawyers to assist in such work at the expense of the Company; and

- such other functions and powers conferred by the law, administrative regulations, departmental rules, relevant provisions of the securities regulatory authorities at the location where the Company's share are listed and these Articles of Association or the shareholders' general meeting.

Members of the supervisory committee may sit in meetings of the Board.

#### **General Manager of the Company**

The Company shall have one General Manager, who shall be appointed and dismissed by the Board.

Our General Manager shall be accountable to the Board and exercise the following powers:

- to be in charge of the Company's operation and management and report to the Board;
- to organize the implementation of the resolutions of the Board, the Company's annual business plan and investment plan;
- to draft plans for the establishment of the internal organizational structure of the Company;
- to draft the Company's basic management system;
- to formulate basic rules and regulations for the Company;
- to propose the appointment or dismissal of our deputy General Manager and Chief Financial Officer;
- to appoint or dismiss management personnel other than those required to be appointed or dismissed by the Board;
- to formulate the salary, benefits, reward and penalty schemes of our Company staff, and decide on the appointment and dismissal of our Company staff;
- to propose to convene the provisional Board of Directors' meeting; and
- to exercise other powers conferred by the Articles of Association and the Board.

Our General Manager shall sit in meetings of the Board. However, the General Manager shall have no voting rights at the meetings unless he is also a director. Our General Manager, in performing his/her functions and powers, shall act honestly and diligently and in accordance with laws, regulations and the Articles of Association.

#### **Chairman of the Board**

The chairman of the Board shall exercise the following powers:

- to preside over the shareholders' meeting, convene and preside over the meetings of the Board;
- to supervise and check on the implementation of the resolutions of the Board;
- to sign the shares, bonds and other marketable securities issued by the Company;

- to sign important documents of the Board and other documents that shall be signed by the legal representative of the company; and
- to exercise the duties and powers of a legal representative.
- in emergency situations of force majeure such as extraordinarily serious natural disasters, to execute special execution rights with respect to the Company's business in compliance with laws, regulations and the Company's benefits, and report to the Company's Board and shareholders' general meetings afterwards;
- to exercise other duties and powers conferred by the Board.

If the chairman of the board of directors is unable or fails to perform his/her duties, the vice chairman shall perform the duties. If the vice-chairman is unable or fails to perform his/her duties, a director jointly elected by a majority of directors shall perform the duties.

#### **Secretary of the Board**

The secretary of the Board shall be a natural person(s) who has the requisite professional knowledge and experience, and shall be appointed by the Board. The primary responsibilities include, without limitation:

- to ensure that the Company's documents and records are complete;
- to ensure the lawful preparation and submission by the Company of reports and documents as required by relevant authorities; and
- to ensure that the register of shareholders is properly maintained, and to ensure that persons who are entitled to obtain the Company's records and documents can timely obtain the relevant records and documents;

#### **Accounts and Audit**

##### *Appointment of auditors*

The Company shall appoint independent auditors who are qualified under the relevant regulations of the PRC and the place where the Company's shares are listed to perform the tasks of auditing accounting statements, examining the interests of shareholders and other relevant consulting services.

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

Should a casual vacancy occurs in the office of the auditor, before the convening of the shareholders' general meeting, the Board may fill any casual vacancy in the office of the auditors, provided that if there is another auditor in office for the Company during the period of such vacancy, such auditor may act.

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

The remuneration of an auditor or the manner in which such auditor is to be remunerated shall be determined by the shareholders' general meeting. The remuneration of an auditor appointed by the Board shall be determined by the Board.

*Change and removal of auditor*

The Company's appointment of, removal of and non-reappointment of an auditor shall be resolved by shareholders' general meetings and submitted to China Securities Regulatory Commission for record.

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

- A copy of the proposal shall be sent to the auditor proposed to be appointed or proposing to leave its post or the auditor which has left its post (leaving includes leaving by removal, resignation and retirement) in the relevant fiscal year before notice of meeting is given to the shareholders.
- If the auditor leaving its post makes presentations in writing and requests the Company to notify such presentations to the shareholders, the Company shall (unless the presentations are received too late): (i) in any notice of the resolution given to shareholders, state the fact of the presentations having been made; and (ii) attach a copy of the presentations to the notice and deliver it to the shareholders in the manner stipulated in the Articles of Association.
- If the auditor's presentations are not sent in accordance with the preceding paragraph, the relevant auditor may require that the presentations be read out at the shareholders' general meeting and may lodge further complaints.
- An auditor which is leaving its post shall be entitled to attend: (i) the shareholders' general meeting at which its term of office would otherwise have expired; (ii) any shareholders' general meeting at which it is proposed to fill the vacancy caused by its removal; and (iii) any shareholders' general meeting convened on its resignation; and to receive all notices of, and other communications relating to, any such meetings, and to speak at any such meeting in relation to matters concerning its role as the former auditor of the Company.

*Resignation of auditor*

Where the auditor resigns, it shall state to the shareholders' general meeting whether there has been any impropriety on the part of the Company.

Any auditor may resign by depositing at the Company's legal residence a resignation notice which shall become effective on the date of such deposit or on such later date as may be stipulated in such notice. Such notice shall include the following:

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

Where a notice is deposited under the preceding paragraph, the Company shall within fourteen (14) days after receiving of such notice send a copy of the notice to the relevant governing authority. If the notice contains a statement under subparagraph (2) of the preceding paragraph, a copy of such statement shall be placed at the Company's registered office for shareholders' inspection. The Company shall also send a copy of such statement to each holder of overseas-listed foreign-invested shares by prepaid post and shall be sent to the addresses recorded in the register of shareholders.

Where the auditor's notice of resignation contains a statement of any circumstances which should be brought to the notice of the shareholders or creditors of the Company, the auditor may require the Board to convene a shareholders' extraordinary general meeting for the purpose of giving an explanation of the circumstances connected with its resignation.

### **DISPUTE RESOLUTION**

Whenever any disputes or claims arise between holders of the H Shares and the Company, holders of the H Shares and the Company's Directors, Supervisors, General Manager or other members of senior management, or holders of the H Shares and holders of Domestic Shares, based on the Articles of Association or any rights or obligations conferred or imposed by the PRC Company Law or any other relevant laws and administrative regulations concerning the affairs of the Company, such disputes or claims shall be referred by the relevant parties to arbitration.

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

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

If any disputes or claims of rights as provided in section 275(1) of Articles of Association, the Laws of Peoples' Republic of China shall apply, save as otherwise provided in laws and administrative regulations.

Where a dispute or claim of rights is referred to arbitration, the entire claim or dispute must be referred to arbitration, and all persons who have a cause of action based on the same facts giving rise to the dispute or claim or whose participation is necessary for the resolution of such dispute or claim, shall abide by the arbitration provided that such person is the Company or the Company's shareholder, Director, Supervisor, General Manager or other member of senior management. Disputes in relation to the identification of shareholders and disputes in relation to the share register need not be referred to arbitration.

The award of an arbitration body shall be final and conclusive and binding on all parties.