

The principal objective of this Appendix is to provide 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.

## **1. DIRECTORS AND BOARD OF DIRECTORS**

### **(a) Power to allot and issue shares**

There is no provision in the Articles of Association empowering the Board to allot or issue shares. In order to allot or issue shares, the Board shall prepare a proposal for approval by shareholders in a general meeting by way of a special resolution. Any such allotment or issue shall be conducted in accordance with the procedures stipulated by relevant laws and administrative regulations.

### **(b) Power to dispose of our Company's or any of its subsidiaries' assets**

Before the Board is going to dispose of any of our Company's fixed assets, the Board shall not, without the approval of shareholders in a general meeting, dispose or agree to dispose of any fixed assets of our Company where the aggregate of the expected value of the fixed assets contemplated to be disposed of and the realized value of fixed assets that have been disposed of within four months immediately preceding the proposed disposition exceeds 33% of the value of our Company's fixed assets as shown in the latest audited balance sheet placed before shareholders in a general meeting.

For the aforementioned disposition of fixed assets, it includes an act involving a transfer of an interest in property other than provision of guarantee with fixed assets.

The validity of a transaction for the disposition of fixed assets by our Company shall not be affected by a breach of the above-mentioned restriction contained in the Articles of Association.

The Board shall consult with, and obtain professional advice from, professional advisory organizations and whose professional advice shall be regarded as important grounds of decision-making by the Board when it makes decision in regard to market development, mergers and acquisitions, or the value of an investment or acquisition exceeds 10% of the value of the aggregate assets of our Company.

### **(c) Compensation or payments for loss of office**

In the contract for emoluments entered into by our Company with a Director or Supervisor: when there is a takeover of our Company, the provisions shall be made for the right of the Director or Supervisor to receive, after obtaining the prior approval of shareholders in general meeting, payments by way of compensation for loss of office or for his retirement from office.

The above-mentioned takeover of our Company means:

- (i) an offer made to all shareholders of our Company; or
- (ii) an offer is made such that the offeror will become the controlling shareholder of our Company (as defined in this Articles of Association).

If the relevant Director or Supervisor does not comply with above provisions, any sum received by the Director or Supervisor on account of the payment shall belong to those persons who have sold their shares as a result of the offer, and the expenses incurred by the Director or Supervisor in distributing that sum pro rata amongst those persons shall be borne by him and not deducted from the sum distributed.

**(d) Loans to Directors, Supervisors and other officers**

Our Company is prohibited from directly or indirectly providing a loan or loan guarantee to the Directors, Supervisors, general manager or senior management officers of our Company or SINOMACH. Our Company is also prohibited from making any loan or loan guarantee to any connected person of such Directors, Supervisors or senior management officers.

The following transactions are not subject to the above mentioned prohibition:

- (i) the provision of a loan or loan guarantee by our Company to a subsidiary of our Company;
- (ii) the provision of a loan or a loan guarantee by our Company to any of the Directors, Supervisors, general manager or senior management officers to meet expenditure incurred or to be incurred by such Directors, Supervisors, general manager or senior management officers for the purposes of our Company or for the purpose of enabling them to adequately perform their duties as directors, supervisors, general manager or senior management officers, in accordance with the terms and conditions of their employment contracts or appointment letters approved by the shareholders in general meeting; and
- (iii) our Company may provide a loan or a loan guarantee to a Director, Supervisor, general manager, a senior management officer or his connected persons where the ordinary course of its business includes the lending money or the giving of loan guarantees, provided that the terms of the loan or the loan guarantees are on normal commercial terms.

A loan provided by our Company in breach of the prohibition described above shall be forthwith repayable by the recipient of the loan regardless of the terms of the loan.

A loan guarantee provided by our Company in breach of the prohibition referred to above shall be unenforceable against our Company unless:

- (i) the loan was provided to a person connected with a Director, Supervisor, general manager, a senior management officer of our Company or its Controlling Shareholder and at the time the loan was advanced the lender did not know of the relevant circumstances of the loan and the guarantee provided, or
- (ii) the collateral provided by our Company has been lawfully disposed of by the lender to a bona fide purchaser.

For the content above, guarantee includes undertaking responsibilities as a guarantor or providing properties to secure the performance of obligations by the obligor.

Where a Director, Supervisor, general manager or other senior management officer is in breach of his obligations to our Company, our Company shall, apart from the various rights and remedies provided by laws and administrative regulations, be entitled to take the following measures:

- (1) To request the relevant Director, Supervisor, general manager or other senior management officer to pay damages for the loss suffered by our Company as a result of his negligence;
- (2) To rescind any contract or transaction entered into between our Company and the relevant Director, Supervisor, general manager or other senior management officer, and a contract or transaction entered into between our Company and a third party (if such third party knows or should have known that such Director, Supervisor, general manager or other senior management officer representing our Company is in breach of his obligations to our Company);
- (3) To demand the relevant Director, Supervisor, general manager or other senior management officer account for the profits derived as a result of the breach of his obligations;
- (4) To recover from the relevant Director, Supervisor, general manager or other senior management officer the monies which should have been received by our Company including, but not limited to, commissions;
- (5) To request the relevant Director, Supervisor, general manager or other senior management officer to return the interest earned or may have earned from the monies which should have been payable to our Company; and
- (6) To seize the properties obtained by the relevant Director, Supervisor, general manager or other senior management officer as a result of his breach of obligations in accordance with judicial adjudication orders.

**(e) Giving of financial assistance to purchase the shares of our Company or any of its subsidiaries**

Neither our Company nor any of its subsidiaries shall at any time or in any manner provide financial assistance to a person who acquires or proposes to acquire shares in our Company. The said person includes any person who has directly or indirectly incurred any liability as a result of the acquisition of shares in our Company. Neither our Company nor any of its subsidiaries shall at any time or in any manner provide financial assistance to the person mentioned in the foregoing paragraph for the purposes of reducing or discharging his liabilities.

The following transactions are not prohibited:

- (i) the provision of the financial assistance by our Company in good faith and in the interests of our Company, and the principal purpose of that assistance is not to acquire shares of our Company or that financial assistance is an incidental part of the overall plan of our Company;
- (ii) a lawfully distribution of our Company's assets by way of dividend;

- (iii) the distribution of a dividend by way of an allotment of shares;
- (iv) a reduction of our Company's registered capital, a repurchase of shares or reorganization of the structure of the share capital in accordance with this Articles of Association;
- (v) our Company provides a loan which is within its business scope and for the ordinary operation of its business, provided that the net assets are not thereby reduced, or to the extent that those assets are thereby reduced, the financial assistance is provided out of the distributable profits of our Company; and
- (vi) the provision of moneys by our Company for contribution to employees' share schemes, provided that our Company's net assets are not thereby reduced or to the extent that those assets are thereby reduced, the financial assistance is provided out of the distributable profits of our Company.

The above-mentioned "financial assistance" includes, without limitation to:

- (a) by way of gift;
- (b) by way of guarantee (including the provision of an undertaking or property to secure the performance of obligations by the obligor) or indemnity, (other than an indemnity in respect of our Company's own default) or release or waiver;
- (c) by way of a loan or a contract under which the obligations of our Company have to be fulfilled before the obligations of the other party to the contract, by way of the change of the party to that loan or contract or the assignment of any rights thereunder; and
- (d) in any other manner when our Company is unable to pay its debts or has no net assets or where its net assets may be thereby reduced to a material extent.

The meaning of "assumed liability" includes obligations assumed by obligor as a result of entering into a contract or making arrangements (whether or not such contract or arrangement enforceable or unenforceable, and whether or not assumed by him personally or together with any other party) or by any other means whereby his financial position is changed.

**(f) Disclosure of interests in and voting on contracts with our Company or any of its subsidiaries**

Where a Director, Supervisor, general manager or other senior management officer is in any way, directly or indirectly, materially interested in an existing contract, transaction or arrangement or planned contract, transaction or arrangement with our Company (other than contracts of employment), he shall disclose the nature and extent of such interests to the Board at the earliest opportunity, whether or not the relevant matter is subject to the approval of the Board of Directors.

The Director is not counted in the quorum and shall refrain from voting on the planned contract, transaction or arrangement in which he is materially interested.

Unless the interested Director, Supervisor, general manager or other senior management officer has disclosed his interest in accordance with the first paragraph of this

clause of the Articles of Association and the contract, transaction or arrangement has been approved by the Board of Directors at a meeting in which the interested Director, Supervisor, general manager or other senior management officer is not counted in the quorum and has refrained from voting, our Company has the right to rescind such contract, transaction or arrangement except as against a bona fide party thereto acting without notice of the breach of such duties by the Director, Supervisor, general manager or other senior management officer.

For the purposes of these provisions, a Director, Supervisor or general manager or other senior management officer is deemed to be interested in a contract, transaction or arrangement in which his related parties have interest.

If a Director, Supervisor, general manager or other senior management officer of our Company gives the Board a written notice stating that, by reason of the facts stated in the notice, he is interested in contracts, transactions or arrangements which may subsequently be entered into by our Company, then within the content stated in the notice he shall be deemed to have made a disclosure in accordance with the relevant provisions in the Articles of Association, if such notice shall have been given before our Company considered to enter into such contract, transaction or arrangement in the first time.

**(g) Remuneration**

Our Company shall, with the prior approval of shareholders in general meeting, enter into a written contract with each Director or Supervisor for emoluments in respect of their services. The said emoluments include:

- (i) emoluments in respect of their services as Director, Supervisor or senior management officer of our Company;
- (ii) emoluments in respect of their services as Director, Supervisor or senior management officer of any subsidiary of our Company;
- (iii) emoluments otherwise in connection with services for the management of our Company or any subsidiary thereof; and
- (iv) compensation to such Director or Supervisor for loss of office, retirement from office.

Except under a contract entered into in relation to the above, no proceedings shall be brought by a Director or Supervisor against our Company for any deserving benefits mentioned above.

The emoluments in respects of the services provided by Directors, Supervisors or senior management officers shall be disclosed by our Company to shareholders on a regular basis.

**(h) Retirement, appointment and removal**

The following persons may not serve as a Director, Supervisor, general manager or other senior management officer of our Company:

- (i) an individual who has no civil capacity or has restricted civil capacity;

- (ii) persons who have committed the offences of corruption, bribery, trespass of property, misappropriation of property or undermining the socialist economic order, and have been penalized due to the above offences, where less than five years have elapsed since the date of the completion of implementation of the penalty or persons who have committed crimes and have been deprived of their political rights due to such crimes, where less than five years have elapsed since the date of the completion of the implementation of such deprivation;
- (iii) persons who were former directors, factory chiefs or managers of a company or enterprise which has become insolvent and has been liquidated and were 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 such company or enterprise;
- (iv) persons who were legal representatives of a company or enterprise which had its business license revoked and were ordered to close down due to a violation of the law and who were personally liable, where less than three years have elapsed since the date of the completion of the revocation of such business license;
- (v) persons who have failed to pay a relatively large debt when due and outstanding;
- (vi) persons who have committed criminal offences and are still under investigation by judicial authorities;
- (vii) persons who are not allowed to be heads of enterprises as stipulated by laws and administrative regulations;
- (viii) persons who are not natural persons;
- (ix) persons who have been convicted of offences of violating provisions of the relevant securities laws and regulations or offences of fraud or acting in bad faith by the relevant authority, where less than five years have elapsed since the date of conviction; and
- (x) other persons stipulated by the laws, administrative directives and ministerial regulations of the place where our Company's shares are listed.

The validity of the conduct of Directors, general managers or senior management officers who have acted on behalf of our Company with respect to third parties who have acted in good faith shall not be affected due to any irregularities in the appointment, election or qualification of such Directors, general managers or senior management officers.

The Board of Directors shall consist of nine Directors, of which four are independent Directors.

The Board of Directors also consists of one chairman and one vice chairman, who shall be elected or removed by more than one half of all of the Directors. Directors may be elected or removed by ordinary resolution at a Shareholders' general meeting.

The term of office of the chairman, vice chairman and other Directors shall be three years and is renewable upon re-election.

A Director (without prejudice to any claim for damages under any contract) within term of office may be removed by ordinary resolution at a Shareholders' general meeting in accordance with the laws and administrative directives.

The written notice of the intention to nominate a person for election as a Director and of his willingness to be elected shall be given to our Company at least seven days. The period for giving such written notice shall commence after the date our Company gives notice of the general meeting by post, and shall end not later than seven days before the date of convening the general meeting. Each candidate of Director shall be proposed in a separate motion to the shareholders' general meeting.

Directors may tender resignation prior to the expiry of the term of office. A written resignation shall be tendered to the Board of directors by a director who intends to resign.

When a Director resigns or his term of office expires, his obligation of confidentiality relating to our Company's trade secrets remains in force after the end of his office until such secrets become public information.

A Director whose term of office has not expired shall be held responsible for our Company's loss due to his departure without permission.

If a Director fails to attend two consecutive board meetings in person or by another Director appointed as his representative, he shall be deemed to be in default of performing his duty. The board of Directors should recommend his removal to a shareholders' general meeting.

**(i) Borrowing powers**

Subject to compliance with the laws and administrative regulations of the State, our Company is entitled to raise capital and borrow money, including (without limitation) the issue of bonds, the mortgaging or pledging of part or whole of our Company's properties and other rights permitted by the laws and administrative regulations of the State provided that such action does not damage or abrogate rights of any Shareholder. The Articles of Association do not contain any special provision in respect of the manner in which borrowing powers may be exercised by the Directors nor do they contain any special provision in respect of the manner in which such power may be raised, other than; (a) provisions which give the Directors the power to formulate proposals for the issuance of debentures by our Company; and (b) provisions which provide that the issuance of debentures must be approved by the Shareholders of our Company in a general meeting by way of a special resolution.

**(j) Liabilities**

In addition to obligations imposed by relevant laws, administrative regulations or the listing rules of the securities exchange on which our Company's shares are listed, Directors, Supervisors, general manager and other senior management officers in the exercise of their powers and the discharge of their duties shall owe the following obligations to the shareholders:

- (i) to exercise their power within the business scope specified by its business license;
- (ii) to act honestly in what they consider to be in the best interest of our Company;

- (iii) not to deprive in any way our Company of its assets, including (but not limited to) opportunities beneficial to our Company; and
- (iv) not to deprive shareholders of their personal rights and interests, including (but not limited to) rights to distributions and to vote, except in a company reorganization submitted in accordance with the provisions of the Articles of Association and adopted at a shareholders' general meetings.

When exercising his rights and performing his duties, the Directors, Supervisors, general manager and other senior management officers of our Company shall exercise the care, diligence and skill as that of a reasonably prudent person would exercise under the similar circumstances.

Our Company shall be allowed to establish necessary liability insurance systems for Directors, Supervisors, general manager and other senior management officers to reduce possible risks they may encounter as they perform regular duties.

Each Director, Supervisor, general manager, and other senior management officer of our Company should abide by his fiduciary principles in the discharge of his duties, and not to place himself in a position where his duty and his own interests may conflict. Such principles include (but are not limited to) the performance of the following:

- (i) to act honestly in what he considers to be in the best interest of our Company;
- (ii) to exercise his power within the scope specified and not to act ultra vires;
- (iii) to exercise the discretion vested in him personally and not allow himself to act under the direction and influence of another and, unless and to the extent permitted by law or informed consent by the shareholders of the relevant facts, at a 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 in general meeting, not to enter into any contract, transaction or arrangement with our Company;
- (vi) not to use our Company's assets for his personal benefit without the approval of the shareholders at a general meeting;
- (vii) not to use his position to accept bribes or other illegal income or expropriate our Company's assets in any manner, including (without limitation) opportunities beneficial to our Company;
- (viii) not without the informed consent of Shareholders in general meeting, to accept commissions in connection with our Company's transactions;
- (ix) to abide by the Articles of Association, faithfully perform his duties and protect the interests of our Company, and not to use his position and powers in our Company to seek personal gain;



- (x) not to compete with our Company in any way except with the informed consent of the Shareholders given in general meeting;
- (xi) not to misappropriate our Company's funds or lend our Company's funds to others, not to open any bank account in his own name or other name for the deposit of our Company's assets or funds, and not in breach of the Articles of Association and without consent of the Board of Directors or Shareholders' general meeting to lend our Company's funds to any person or to provide security for debt of Shareholders of our Company or any other individuals;
- (xii) without the informed consent of Shareholders in general meeting, not to disclose confidential information of our Company acquired while in office and not to use such information other than in furtherance of the interests of our Company, save and except that disclosure of information to a court or a governmental authority is permitted where (i) the disclosure is made under compulsion of law in accordance with the relevant laws; (ii) there is a duty to the public to disclose; or (iii) the personal interests of the Director, Supervisor, general manager or other senior management officers which require the disclosure.

A Director, Supervisor, general manager or senior management officer of our Company shall not direct persons or institutions (hereinafter referred as "**associates**") to do what he is not permitted to do. A person is regarded as an associate if he is:

- (i) the spouse or minor child of such a Director, Supervisor, general manager or senior management officer;
- (ii) a trustee for such a Director, Supervisor, general manager or senior management officer or any person referred to in (i) above;
- (iii) a partner of such a Director, Supervisor, general manager or senior management officer or of any person referred to in (i) and (ii);
- (iv) a company in which that a Director, Supervisor, general manager or other senior management officer, alone or jointly with one or more persons referred to in above (i), (ii) and (iii) or with any of other Directors, Supervisors, general manager or other senior management officers of our Company, have de facto control; or
- (v) a director, supervisor, general manager or senior management officer of a company referred to in (iv) above.

The fiduciary duties of a Director, Supervisor, general manager and senior management officer of our Company do not necessarily cease with the termination of his tenure. The duty of confidentiality in relation to trade secrets of our Company survives the termination of his term of office. Other duties may continue for such period as fairness may require depending on the time elapse between the termination of his term of office and the occurrence of the matter in question and the circumstances and the terms under which the relationships between him and our Company are terminated.

Except in circumstances referred to in the Article 51 of the Articles of Association, liabilities of a Director, Supervisor, general manager, or other senior management officer arising from the violation of a specified duty may be released by informed shareholders in general meeting.

**2. ALTERATIONS TO CONSTITUTIONAL DOCUMENTS**

The amendments to the Articles of Association involving the contents of the Mandatory Provisions shall become effective upon approvals by the approval authorities of the State Council and the securities regulatory authority of the State Council. If there is any change relating to the registered particulars of our Company, application shall be made for registration of the changes in accordance with law.

**3. VARIATIONS OF RIGHTS OF EXISTING SHARES OR CLASSES OF SHARES**

Shareholders holding different class of shares are class shareholders.

Class shareholders shall enjoy the rights and assume the obligations stipulated by laws, administrative regulations and the Articles of Association.

Our Company may not vary or abrogate rights attached to any class of shares unless approved by a special resolution of shareholders in general meeting and by holders of shares of that class at a separate meeting conducted in accordance with the provisions of the Articles of Association.

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

- (i) to increase or decrease the number of shares of such class, or increase or decrease the number of shares of a class having voting or distribution rights or other privileges equal or superior to the shares of such class;
- (ii) to effect an exchange of all or part of the shares of such class into those 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;
- (iii) to remove or reduce rights to accrued dividends or rights to cumulative dividends of such class;
- (iv) to reduce or remove a dividend preference or a liquidation preference attached to shares of such class;
- (v) to add, remove or reduce conversion, options, voting, transfer or pre-emptive rights or rights to acquire securities of our Company of such class;
- (vi) to remove or reduce rights to receive payments from our Company in any particular currency;
- (vii) to create a new class of shares having voting or distribution rights or privileges equal or superior to the shares of such class;
- (viii) to restrict the transfer of ownership of the shares of such class or to increase any such restrictions;
- (ix) to allot and issue rights to subscribe for, or convert into, shares in our Company of such class or another class;

- (x) to increase the rights or privileges of another class;
- (xi) to restructure our Company where the proposed restructuring will result in different classes of shareholders bearing a disproportionate burden of such proposed restructuring; and
- (xii) to vary or abrogate the provisions in the Articles of Association.

Shareholders of the affected class, whether or not having the right to vote at general meetings, shall nevertheless have the right to vote at class meetings in respect of matters concerning paragraphs (ii) to (viii), (xi) and (xii) above, but Interested Shareholder(s) (as defined below) shall not be entitled to vote at class meetings.

Resolutions of a class of shareholders shall require the approval of shareholders present representing more than two thirds of the voting rights of that class voting in favor of such resolutions.

Written notice of a class meeting shall be given by our Company 45 days prior to the date of the meeting to notify all the registered shareholders holding shares of that class of the matters to be considered at the meeting and the date and place of the meeting. A shareholder who intends to attend the meeting shall deliver a written reply confirming his attendance at the class meeting to our Company 20 days prior to the date of the meeting.

Our Company may proceed to hold the class meeting, provided always that the quorum for any separate class meeting (other than an adjourned meeting) to consider a variation of the rights of any class of our Company's shares shall be the holders of at least one-third of the issued shares of the class concerned.

Our Company can convene a class shareholders' meeting, if the number of shares of the class carrying voting rights represented by shareholders intending to attend represents more than one half of the total number of such shares of our Company. If not, our Company shall make an announcement, within five days, once again notifying the shareholders of the matters proposed to be considered and the date and place of the meeting. Once an announcement has been so made, our Company may convene the class shareholders' meeting.

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

Meetings of any class of shareholders shall be conducted in a similar way as closely as possible to the provisions for general meetings of shareholders set out in the Articles of Association.

In addition to holders of other class shares, holders of Domestic Shares and overseas-listed-foreign-invested shares are deemed to be shareholders of different classes.

Special procedures for voting by holders of different classes of Shares do not apply to the following situations:

- (i) where our Company issues, upon the approval by special resolution of its shareholders in general meeting, either separately or concurrently once every twelve months, not more than 20% of each of its existing issued Domestic Shares or overseas-listed-foreign-invested shares;

- (ii) where our Company's plan made at the time of its establishment to issue Domestic Shares and overseas-listed-foreign-invested shares is completed within 15 months from the date on which approval is given by the securities regulatory authorities of the State Council; or
- (iii) the conversion of the shares of our Company held by the promoters into foreign shares and the listing on overseas stock exchange are approved by the State Council or its authorized authorities.

For the purposes of the class rights provisions of the Articles of Association, an "Interested Shareholder" is:

- (i) in the case of a repurchase of shares by offers to all shareholders or public dealing on a stock exchange within the meaning of the Article 27, a controlling shareholder within the meaning of the Article 52 of the Articles of Association;
- (ii) in the case of a repurchase of shares by an off-market contract under the Article 27 of the Articles of Association, a shareholder to whom the proposed contract is related;
- (iii) in the case of a restructure of our Company, a shareholder within a class who bears less than a proportionate amount of obligations imposed on the shareholders of that class or who has an interest different from the interest of the other shareholders of that class.

#### **4. SPECIAL RESOLUTIONS – MAJORITY REQUIRED**

Resolutions of general meetings are divided into ordinary resolutions and special resolutions.

To adopt an ordinary resolution, more than the one half votes represented by shareholders (including proxies) present at the meeting must be exercised in favor of the resolution.

To adopt a special resolution more than the two thirds votes represented by the shareholders (including proxies) present at the shareholders' general meeting must be exercised in favor of the resolution.

#### **5. VOTING RIGHTS (GENERAL RIGHT ON A POLL AND RIGHT TO DEMAND A POLL)**

The ordinary shareholders of our Company have the right to attend or appoint a proxy to attend shareholders' general meeting and to vote at the meeting. Shareholders (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, provided that shares of our Company held by our Company shall have no voting rights and shall not be counted in the total number of voting shares represented at the general meeting.

In the case of an equality of votes, whether on a show of hands or on a poll, the chairman of the meeting shall be entitled to an additional vote.

#### **6. REQUIREMENTS FOR ANNUAL GENERAL MEETINGS**

A shareholders' general meeting shall either be an annual general meeting or an extraordinary general meeting. Annual general meetings are held once every year within six months after the financial year end.

**7. ACCOUNTS AND AUDIT****(a) Financial and accounting system**

Our Company shall establish its financial and accounting systems and internal audit system in accordance with the laws, administrative regulations and PRC accounting standards formulated by the finance regulatory authority of the State Council.

The Board of Directors of our Company shall place before the shareholders at every annual general meeting such financial reports as are required by the laws, administrative regulations or directives promulgated by competent local governments and supervisory authorities to be prepared by our Company.

Our Company's financial reports shall, at least 21 days before the date of convening the annual general meeting, be delivered by prepaid mail to the registered address of every holder of Overseas Listed Shares.

Our Company shall not keep any other books of accounts other than those provided by law. The assets of our Company must not be registered in any person's personal accounts.

**(b) Appointment and removal of accountants**

Our Company shall appoint an independent firm of accountants which is qualified under the relevant regulations of the State to audit our Company's annual reports and review our Company's other financial reports.

The first accountants firm of our Company may be appointed by the inaugural meeting prior to the first annual general meeting and the accountants firm so appointed shall hold office until the conclusion of the first annual general meeting.

The accountants firm appointed by our Company shall hold office from the conclusion of the annual general meeting of shareholders until the conclusion of the next annual general meeting of shareholders.

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

The remuneration of an accountants firm or the manner in which such remuneration is determined shall be decided by the shareholders in general meeting.

Our Company's appointment of, removal of and non-reappointment of an accountants firm shall be resolved upon by the shareholders in general meeting. The resolution of shareholders' general meeting shall be filed with the securities regulatory authorities of the State Council.

Where a resolution at a general meeting of shareholders is passed to appoint an accountants firm to fill a causal vacancy in the office of an accountants firm, or to remove an accountants firm before the expiration of its term of office, the following provisions shall apply:

- (1) a copy of the proposal shall be sent to the accountants firm proposed to be appointed or proposing to leave its post or the accountants firm who has left its post, before notice of the general meeting is given to the shareholders.

Leaving includes leaving by removal, resignation and retirement.

- (2) If the accountants firm leaving its post makes representation in writing and requests their notification to the shareholders, unless the representation is received too late, our Company shall:
  - (i) in the notice of the general meeting given to shareholders, state the fact of the representation having been made; and
  - (ii) send a copy of the representation as an attachment to the notice to every shareholder entitled to notice of general meeting.
- (3) If the accountants firm's representation is not sent in accordance with (2)(ii) above, the accountants firm may require that the representation be read out in the meeting.
- (4) Such accountants firm shall have the right to present its views at the following shareholders' general meetings:
  - (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 casual vacancy caused by its removal; or
  - (iii) any shareholders' general meeting convened on its resignation.

Prior to the removal or the non-renewal of the appointment of the accountants firm, notice of such removal or non-renewal shall be given to the accountants firm and such firm shall have the right to attend and to make representation to the shareholders' general meeting. Where the accountants firm resigns its post, it shall make clear to the shareholders' general meeting whether there is any impropriety on the part of our Company.

- (1) The accountants firm may resign its office by depositing at our Company's legal address a resignation notice which shall become effective on the date of such deposit or on such later date as may be stipulated in such notice. Such notice shall include the following (i) a statement to the effect that there are no circumstances connected with its resignation which it considers should be brought to the notice of the shareholders or creditors of our Company; or (ii) a statement of any such circumstances.

- (2) Where a notice is deposited under the preceding paragraph, our Company shall within fourteen days send a copy of the notice to the relevant governing authority. If the notice contains a statement under the preceding paragraph, a copy of such statement shall be placed at our Company for shareholders' inspection. Our Company shall also send a copy of such statement by prepaid mail to every holder of H Shares at the address registered in the register of shareholders.
- (3) Where the accountants firm's notice of resignation contains a statement of any circumstance which should be brought to the notice of the shareholders or creditors of our Company, it may require the Board of Directors to convene a shareholders' extraordinary general meeting for the purpose of receiving an explanation of the circumstances connected with its resignation.

#### **8. NOTICE OF MEETING AND BUSINESS TO BE CONDUCTED THEREAT**

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

Our Company shall not enter into any contract with any person other than a Director, Supervisor, general manager or senior management officer whereby such person is entrusted with the management of the whole or a material part of any business of our Company without the prior approval of shareholders in general meeting.

A shareholders' general meetings are divided into annual general meetings or an extraordinary general meetings. Annual general meetings are held once every year within six months after the financial year end. An extraordinary general meetings shall be held when necessary. Under any of the following circumstances, the Board shall convene an extraordinary general meeting within two months of the occurrence of any one of the following events:

- (i) when the number of Directors is less than the number of Directors required by the Company Law or two-thirds of the number of Directors specified in the Articles of Association;
- (ii) when the unaccounted losses of our Company amount to one third of its paid up share capital;
- (iii) when shareholders holding 10% or more of our Company's issued and outstanding shares carrying voting rights request in writing the convening of an extraordinary general meeting;
- (iv) when the Board of Directors considers necessary or upon the request of the Supervisory Board;
- (v) when two or more independent Directors so request; and
- (vi) other circumstances as stipulated in the law and regulations of administration, departmental rules, listing rules of the stock exchange and the Articles of Association.

In the event of sub-clauses (iii) and (iv), the agenda shall include the matter proposed by the meeting conveners for consideration.

To convene a general meeting, our Company shall give written notices 45 days before the date of the meeting, informing all registered shareholders of the matters proposed to be considered at the meeting and the date and place of the meeting. Shareholders who will attend the meeting shall return the written replies of attendance to our Company to be received by our Company 20 days before the date of the meeting.

When our Company is to convene an annual general meeting, shareholders holding three per cent or more of shares carrying voting rights shall have the right to put forward new proposals in writing to our Company ten days before the date of the meeting. Our Company shall issue a supplementary written notice two days after receiving the new proposals. Our Company shall include such new proposals in the agenda of the general meeting for consideration by shareholders.

Our Company shall calculate, according to the written replies received 20 days before the date of the meeting, the number of shares carry voting rights that the shareholders attending the meeting represent. Our Company can convene a shareholders' general meeting if the number of shares carrying voting rights represented by shareholders intending to attend attain more of the one half of total number of shares carrying voting rights. If not, our Company shall make an announcement, within five days, once again notifying the shareholders of the matters proposed to be considered and the date and place of the meeting. Once an announcement has been so made, our Company may convene the general meeting. An extraordinary general meeting may not decide on matters not specified in the notice.

A notice of meeting of shareholders shall:

- (i) be in writing;
- (ii) specify the place, the date and the time of the meeting;
- (iii) state the matters and proposals to be discussed at the meeting;
- (iv) provide such information and explanation as are necessary for the shareholders to exercise an informed judgment on the proposals before them. Without limiting the generality of the foregoing, where a proposal is made to amalgamate our Company with another company, to repurchase shares of our Company, to reorganize the share capital or to restructure our 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 reasons for and consequences of such proposal must be properly explained;
- (v) contain a disclosure of the nature and extent, if any, of material interests of any Director, Supervisor, general manager or senior management officer 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 other shareholders of the same class;
- (vi) contain the full text of any special resolution proposed to be passed at the meeting;



- (vii) contain conspicuously a statement that a shareholder entitled to attend and vote is entitled to appoint one or more proxies to attend and vote instead of him and that a proxy need not be a shareholder;
- (viii) specify the time and place for lodging proxy forms for the relevant meeting;
- (ix) specify the date of the share register listing the shareholders that have the right to attend and vote at the shareholders' meeting; and
- (x) specify the name and telephone number of the contact person for the meeting.

Notices of shareholders' general meetings shall be served on the shareholders (whether or not they are entitled to vote at the meeting) in any mode which is permitted by the stock exchange on which our Company's shares are listed including but not limited, by post, email, facsimile, public announcement or personal delivery to their addresses registered in the register of shareholders. For holders of Domestic Shares, notice of shareholder's general meeting may be made by way of public announcement.

The aforementioned public announcement of notices of shareholders' general meetings shall be published in one or more newspapers designated by the securities regulatory authority of the State Council during the period from 45 to 50 days prior to the date of convening the meeting. Upon the publication of announcement, all holders of Domestic Shares shall be deemed to have received notice of the relevant shareholders' meeting. Chinese and English versions of the announcement shall be published in at least one Chinese newspapers and one English newspapers designated by the Stock Exchange on the same day.

Shareholders requisitioning an extraordinary general meeting of shareholders or class meeting shall abide by the following procedures:

- (i) Shareholder(s) alone or in aggregate 10% or more of the shares carrying the right to vote at the meeting sought to be held may sign a written requisition in one or more counterparts in the same form and contents, requiring the Board to convene a shareholders' extraordinary general meeting or a class meeting thereof and stating the matters to be considered at the meeting. The Board shall as soon as possible after receipt of the requisition proceeds to convene a shareholders' extraordinary general meeting or a class meeting thereof. The amount of shareholdings of the requisitioning shareholders referred to in the preceding paragraph shall be calculated as at the date of the deposit of the requisition.
- (ii) If the Board fails to issue a notice of such a meeting within 30 days from the date of receipt of the requisition, the requisitioning shareholders may themselves convene such a meeting within four months of the receipt of the requisition by the Board. In so convening a meeting, the requisitioning shareholders should adopt a procedure as similar as possible as that of shareholders' general meetings to be convened by the Board.

The matters which require the sanction of an ordinary resolution at a shareholders' general meeting shall include:

- (i) the approval of working reports of the Board and the Supervisory Board;
- (ii) the approval of plans formulated by the Board for the distribution of profits and for making up losses;
- (iii) the election and removal of the members of the Board and members (being the Shareholders' representatives) of the Supervisory Board, their remuneration, allowances and mode of payment;
- (iv) the approval of our Company's budget and final accounts, balance sheets and profit and loss accounts and other financial reports; and
- (v) save as required by the laws and regulations of the PRC or by the Articles of Association, all other matters other than those required to be adopted by special resolution.

The matters which require the sanction of a special resolution at a shareholders' general meeting include:

- (i) the increase or reduction of registered share capital and the issue of shares of any class or warrants and other similar securities;
- (ii) the issue of debentures of our Company;
- (iii) the demerger, merger, termination and liquidation of our Company;
- (iv) change of the form of our Company;
- (v) the purchase or disposal of material assets or any guarantee, the amount of which exceeds 30% of the latest audited total assets of our Company within one year;
- (vi) amendments to the Articles of Association;
- (vii) review and implementation of share incentive scheme;
- (viii) any matters considered by the shareholders' general meeting, resolved by way of an ordinary resolution, to be of a nature which may have a material impact on our Company as required by law, administrative regulations or the Articles of Association; and
- (ix) any other matters should be adopted by a special resolution under the listing rules of the stock exchange where our Company's shares are listed.

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

All Director, Supervisor, general manager and senior management officer of our Company are required to attend the general meeting.

Except for circumstances involving business secrets of our Company which shall not be disclosed, the Board of Directors, Supervisors and the senior management officers shall make replies or explanation to the inquiries of shareholders at the shareholders' general meetings.

Consideration and approval in the general meeting is required for the following external guarantees provided by our Company:

- (1) any guarantee which is given after the total amount of external guarantees given by our Company and its controlling subsidiaries which is equal to or exceeds 50% of the latest audited net asset value of our Company;
- (2) any guarantee which is given after the total amount of external guarantees given by our Company which is equal to or exceed 30% of the latest audited total asset value of our Company;
- (3) provision of guarantee in favor of an entity which has an asset to liability ratio exceeding 70%;
- (4) an amount of single guarantee exceeds 10% of the latest audited net asset value of our Company;
- (5) provision of guarantee to shareholders, de facto controller and their respective connected persons; and
- (6) any matters regarding external guarantee subject to the review of the shareholders' general meeting as required by law, administrative regulations and relevant rules in China.

## **9. TRANSFER OF SHARES**

Subject to the approval of the securities supervision authorities of the State Council, holders of Domestic Shares of our Company may transfer its shares to overseas investors, and such transferred shares may be listed and traded on an overseas stock exchange. Any listing or trading of the transferred shares on overseas stock exchanges shall comply with the regulatory procedures, rules and requirements of such overseas stock exchange. The listing and trading of the transferred shares on an overseas stock exchange is not subject to voting by separate class shareholder meetings.

Shares in our Company held by the Promoters shall not be transferred within one year commencing from the date of the incorporation of our Company.

The Directors, Supervisors and senior management officers of our Company shall report to our Company the number of shares held by them and the subsequent changes in their shareholdings. The number of shares which a Director, Supervisor or senior management officer may transfer every year during their term of office shall not exceed 25% of the total number of our Company's shares in his or her possession. Such personnel shall not transfer our Company's shares in their possession within six months after they have terminated their employment with our Company.

All the fully paid-up H Shares listed on the Stock Exchange can be freely transferred in accordance with the Articles of Association. However, the Board may refuse to recognize any instrument of transfer without giving any explanation, unless:

- (1) a fee (for each instrument of transfer) of HK\$2.50 or any higher fee as agreed by the Board has been paid to our Company for registration of the instruments of transfer or other documents which is related to or will affect ownership of the shares, such fee or fees shall not exceed the maximum fees prescribed by the Stock Exchange from time to time in its Listing Rules;
- (2) the instrument of transfer only involves H Shares listing in Hong Kong;
- (3) the stamp duty chargeable on the instrument of transfer has been paid;
- (4) the relevant share certificate and, upon the reasonable request of the Board, any other evidence in relation to the right of the transferor to transfer the Shares has been submitted;
- (5) if it is intended to transfer the Shares to joint owners, then the maximum number of joint owners shall not exceed four (4); and
- (6) our Company does not have any lien on the relevant Shares.

No change in the shareholders' register due to the transfer of shares may be made within 30 days prior to the date of a shareholders' general meeting or within five days before the record date for our Company's distribution of dividends.

#### **10. POWER OF OUR COMPANY TO PURCHASE ITS OWN SHARES**

In the following circumstances, our Company may, pursuant to the law, administrative regulations, the Listing Rules, ministerial directives and the Articles of Association and subject to the approval of the relevant governing authority of the State, repurchase its outstanding shares:

- (1) cancellation of its shares for the purpose of reducing its registered capital;
- (2) merging with another company which holds the Shares;
- (3) awarding the shares as incentive compensation to the employees of our Company;
- (4) acquiring the shares of shareholders requesting our Company to repurchase his shares due to his objection to any resolution in respect of the merger or division of our Company; and
- (5) other circumstances permitted by the laws or administrative regulations.

Where our Company repurchases its shares due to items (1) through (3) of the preceding paragraph, resolutions related thereto shall be adopted at a general meeting of shareholders in accordance with the Article of Association.

If our Company repurchases its own shares in accordance with the preceding paragraph under the circumstances set forth in item (1), the shares so repurchased shall be cancelled within ten days of the repurchase. In the event of the circumstances set forth in items (2) and (4), the shares so repurchased shall be transferred or cancelled within six months. If our Company repurchases its own shares in accordance with item (3), the shares so repurchased shall not exceed 5% of the total issued shares of our Company; the shares so repurchased shall be transferred to the staff of our Company within one year.

Our Company may, upon the approval of the relevant state governing authorities, repurchase its shares in one of the following ways:

- (1) making an offer of repurchase to all of its shareholders in the same portion;
- (2) repurchasing Shares through public dealing on a stock exchange; or
- (3) repurchase by an off-market agreement.

When our Company, with the prior sanction of shareholders obtained at a shareholders' meeting in accordance with the Articles of Association, repurchases its Shares, but our Company may rescind or vary such contract or waive any or part of its rights under a contract so entered into by our Company with the prior approval of shareholders obtained at a shareholders' general meeting in the same manner. A contract to repurchase Shares as mentioned includes (without limitation) an agreement to become obliged to repurchase or acquire rights to repurchase shares.

Our Company shall not assign a contract to repurchase its Shares or any of its rights hereunder.

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

- (1) where our Company repurchases Shares of our Company at par value, payment shall be made out of book surplus distributable profits of our Company and the proceeds from any issue of new shares made for the purpose of the repurchase;
- (2) where our Company repurchases its shares at a premium to the par value, payment up to their par value shall be made out of the book surplus distributable profits of our Company and the proceeds from any issue of new shares made for the purpose of repurchase. 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 our 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 our Company and the proceeds from any new issue of new shares made for the purpose of repurchase, provided that the amount paid out of the proceeds shall neither exceed the aggregate of the premiums received by our Company on the issue of the shares repurchased nor the amount of the share premium account (or the capital reserve fund account) of our Company (including the premiums on the fresh issue) at the time of repurchase;

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

Where our Company has the power to repurchase for redemption a redeemable share:

- purchase not made through the market or by tender shall be limited to a maximum price
- if purchases are by tender, tenders shall be made available to all shareholders alike

#### **11. POWER OF ANY SUBSIDIARIES OF OUR COMPANY TO OWN SHARES IN ITS PARENT COMPANY**

The Articles of Association contains no restrictions preventing any subsidiaries of our Company from holding the Shares.

#### **12. DIVIDENDS AND OTHER METHODS OF DISTRIBUTION**

Our Company may distribute dividends by way of cash or shares (or both).

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

Cash dividend and other payments paid by our Company to the holders of Domestic Shares shall be distributed in RMB. Cash dividend and other payments paid by our Company to the shareholders of overseas listed shares shall be denominated and declared in RMB and be paid in Hong Kong dollars.

Our Company shall appoint receiving agents for holders of overseas listed shares. Such agents shall receive on behalf of such shareholders dividends and other monies payable by our Company in respect of their Shares.

The receiving agent appointed for holders of overseas listed shares listed in Hong Kong shall be a company registered as a trust company under the Trustee Ordinance (Chapter 29 of the Laws of Hong Kong).

**13. PROXIES**

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

- (1) have the right to speak at the meeting;
- (2) have the right to demand, whether on his own or together with others, a poll; and
- (3) have the right to vote by show of 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 under the hand of the appointer or his attorney duly authorized in writing, or if the appointer is a legal entity either under seal or under the hand of a director or attorney 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 certified copy of that power of attorney or other authority shall be notarized, shall be deposited at the registered address of our 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 the general meeting of our Company as a representative of the appointer.

Any form issued to a shareholder by the Board for use by him for appointing a proxy to attend and vote at meeting of our Company shall be such as to enable the shareholder, according to his free will, to instruct the proxy to vote in favor of or against each resolution dealing with business to be transacted 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 share in respect of which the proxy is given, provided that no notice in writing of such matters as aforesaid shall have been received by our Company at its domicile before the commencement of the meeting at which proxy is used.

**14. CALLS ON SHARES AND FORFEITURE OF SHARES**

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

Subject to compliance with the relevant laws and administrative regulations of the PRC, our Company may exercise its right to forfeit the dividends which are not claimed by anyone but such right can only be exercised six years after the date of the declaration of dividend.

**15. INSPECTION OF REGISTER OF SHAREHOLDERS AND OTHER RIGHTS OF SHAREHOLDERS**

Our Company shall keep a register of Shareholders.

Our Company may, in accordance with the understanding or agreements between the securities regulatory authority of the State Council and the overseas securities regulatory organizations, maintain the register of shareholders of overseas listed shares and appoint overseas agent(s) to manage such share register. The original register of overseas-listed foreign shares listed in Hong Kong shall be maintained at Hong Kong.

Duplicates of the share register for holders of foreign shares shall be maintained at our Company's domicile. The appointed overseas agent(s) shall ensure the consistency between the original and the duplicate of the share register.

If there is any inconsistency between the original and the duplicate of share register for holders of foreign Shares, the original shall prevail.

No changes which are required by reason of a transfer of Shares may be made to the register of shareholders within 30 days prior to the date of a shareholders' general meeting or five days prior to the reference date set by our Company for the purpose of distribution of dividends.

When our Company decides to convene a shareholders' general meeting, distribute dividends, liquidate or carry out other activities which require the determination of shareholdings, the Board of Directors shall fix a record date for the purpose of determining the shareholding. A person who is registered in the register as shareholder of our Company at the end of the record date shall be a shareholder of our Company.

Any person who objects to what is contained in the register of shareholders and wishes to register his name on, or delete his name from, the register may apply to the court with jurisdiction to amend the register.

Shareholders holding ordinary shares of our Company enjoy the following rights:

1. the right to a copy of the Articles of Association after payment of costs;
2. the right to inspect and copy, subject to payment of a reasonable fee:
  - (1) all parts of the register of members;
  - (2) personal particulars of each of our Company's Directors, Supervisors, general manager, and other senior management officers, including:
    - (a) present name and alias and any former name and alias;
    - (b) principal address (residence);
    - (c) nationality;
    - (d) primary and all other part-time occupations; and



- (e) identification document and its number;
- (3) the status of our Company's share capital issued;
- (4) reports showing the aggregate par value, quantity, highest and lowest price paid in respect of each class of Shares repurchased by our Company since the end of the last accounting year and the aggregate amount paid by our Company for this purpose;
- (5) minutes of shareholders' general meetings, board meetings and supervisors' meetings;
- (6) counterfoils of the bonds of our Company; and
- (7) financial reports.

#### **16. QUORUM FOR GENERAL MEETINGS**

Our Company can convene a shareholders' meeting if the number of Shares carrying voting rights represented by shareholders intending to attend comprise more than half of the total number of Shares carrying voting rights.

Our Company can convene a class shareholders' meeting, if the number of Shares of the class carrying voting rights represented by shareholders intending to attend such meeting comprise more than half of the total number of such Shares of the class.

#### **17. RIGHTS OF MINORITY SHAREHOLDERS IN RELATION TO FRAUD OR OPPRESSION**

In addition to the obligations imposed by laws and administrative regulations or the listing rules of the stock exchange on which the Shares of our Company are listed, a controlling shareholder, when exercising his rights as a shareholder, shall not exercise his voting rights to make a decision which may detract from the interests of all or partial shareholders of our Company in respect of the following matters:

- (i) to relieve a Director or Supervisor of his duty to act honestly in the best interests of our Company;
- (ii) to approve the expropriation by a Director or Supervisor (for his own benefit or for the benefit of another person), in any way, of our Company's assets, including (without limitation) opportunities beneficial to our Company; or
- (iii) to approve the expropriation by a Director or Supervisor (for his own benefit or for the benefit of another person) of the individual rights of other shareholders, including (without limitation) rights to distributions and voting rights, but not including a restructuring of our Company submitted to and approved by shareholders' general meeting in accordance with the Articles of Association.

**18. PROCEDURE ON LIQUIDATION**

Our Company shall be dissolved and liquidated in accordance with law upon occurrence of any of the following events:

- (i) a special resolution for dissolution is passed by a shareholders' general meeting;
- (ii) dissolution is necessary due to a merger or division of our Company;
- (iii) the business license of our Company is revoked, or our Company is ordered to close down or abolished;
- (iv) our Company is ordered to close down because of its violation of laws or administrative regulations; and
- (v) where our Company's operation encounters serious difficulty, continuing operation will cause substantial loss to shareholders and such difficulty cannot be solved some other way, shareholders holding more than ten percent of the voting rights of all shareholders may make requisition to the People's Court to dissolve our Company.

A liquidation committee shall be set up within 15 days after occurrence of the dissolution events of item (i), (iii) and (v), and starts the liquidation procedures. The liquidation committee of our Company shall comprise persons appointed by the directors or the shareholders' meeting. If the liquidation committee is not set up within the stipulated period of time, creditors may request the People's Court to designate the relevant personnel to form a liquidation committee to conduct the liquidation.

Where the Board proposes to liquidate our Company due to causes other than where our Company has declared that it is insolvent, the Board shall include a statement in its notice convening a shareholders' general meeting to consider the proposal that, after making full inquiry into the affairs of our Company, the Board is of the opinion that our Company will be able to pay all its debts in full within 12 months from the commencement of the liquidation.

Upon the passing of the resolution by the shareholders in general meeting for the liquidation of our 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 every year to the shareholders' general meeting on the group's receipts and payments, the business of our Company and the progress of the liquidation, and to present a final report to the shareholders general meeting on completion of the liquidation.

The liquidation committee shall within ten days of its establishment send a notice to creditors, and within 60 days of its establishment make a public announcement in a newspaper. Creditors shall declare their claims to the liquidation committee within 30 days from the date of receipt of the written notice, or within 45 days after the date of the announcement in circumstance where no notice is received.

The liquidation committee shall carry out registration of creditors' rights so reported.

During the liquidation period, the liquidation committee shall exercise the following functions and powers:

- (i) to sort out our Company's assets and prepare a balance sheet and an inventory of assets respectively;
- (ii) to notify all creditors by notice or public announcements;
- (iii) to dispose of and liquidate any relevant unfinished business matters of our Company;
- (iv) to pay all outstanding taxes;
- (v) to settle claims and debts;
- (vi) to deal with assets remaining after our Company's debts having been paid in full; and
- (vii) to represent our Company in any civil proceedings.

The liquidation committee shall thoroughly examine the assets of our Company, and prepare a balance sheet and an inventory of assets. Upon completion, the liquidation committee shall draw up a proposal for liquidation and submit the same to the shareholders' meeting or the relevant authorities for confirmation.

If the liquidation committee, having thoroughly examined our Company's assets and having prepared a balance sheet and assets list, discovers that our Company's assets are insufficient to pay its debts in full, it shall immediately apply to the People's Court for a declaration of insolvency.

After the People's Court has declared our Company insolvent, our Company's liquidation committee shall turn over any matters regarding the liquidation to the People's Court.

Following the completion of liquidation, the liquidation committee shall prepare a report on liquidation and a statement of the receipts and payments and financial books and records during the period of liquidation, which shall be audited by the PRC certified public accountants and submitted to the shareholders' general meeting or the people's court for confirmation. The liquidation committee shall also within 30 days after such confirmation, submit the documents referred to in the preceding paragraph to the company registration authority and apply for cancellation of registration of our Company, and publish an announcement relating to the termination of our Company.

## **19. OTHER PROVISIONS MATERIAL TO OUR COMPANY OR ITS SHAREHOLDERS**

### **(a) General provisions**

Our Company is a joint stock limited company of perpetual existence.

Our Company may invest in other enterprises; however, unless stipulated otherwise by law, it may not become an investor that bears joint and several liability for the debts of the enterprise in which it invests.

From its effective date, the Articles of Association of our Company shall be a legally binding document that regulates the rights and liabilities between our Company and the Shareholders and among the Shareholders.

Subject to the provisions of the Articles of Association, the Shareholders may sue our Company and other Shareholders, Shareholders may also sue Directors, Supervisors, general manager and other senior management officers (including vice general managers, the chief financial officer, the chief engineer, secretary of the Board, assistant general managers, general legal counsel and other senior management officers hired by the Board of our Company when necessary) of our Company. Our Company may sue Shareholders, Directors, supervisors, general manager and other senior management officers.

For the purpose of the above paragraph, the term “sue” shall include the initiation of proceedings in a court or the application of arbitration to an arbitration organization.

**(b) Shares and transfers**

Our Company may increase its capital in the following ways:

- (i) offering new shares to non-specially-designated investors for subscription;
- (ii) private issue of shares;
- (iii) allotting bonus Shares to its existing shareholders;
- (iv) conversion of capital reserve;
- (v) offering new shares to specially-designated investors for subscription; and
- (vi) any other ways permitted by laws, administrative regulations and the relevant regulatory authorities.

Our 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 the relevant laws and administrative regulations of the State.

Our Company may reduce its registered capital in accordance with the Company Law, other applicable regulations and the provisions of the Articles of Association.

When our Company reduces its registered capital, it shall prepare a balance sheet and an inventory of assets. Our Company’s registered capital after reduction shall not be less than the statutory minimum amount.

The Shares of our Company can be transferred, donated, inherited or pledged in accordance with the laws, administrative regulations and provisions in the Articles of Association. The transfer and assignment of any of the Shares shall be registered in the share registry which is designated by our Company.

Subject to the approval of the securities authority of the State Council, holders of the Domestic Shares may transfer their Shares to overseas investors, and such transferred shares may be listed or traded on an overseas stock exchange. Any listing and trading of the transferred shares on an overseas stock exchange shall also comply with the regulatory procedures, rules and requirements of such overseas stock exchange. No special shareholders’ meeting is needed to resolve the listing and trading of the transferred Shares at a foreign stock exchange.

**(c) Shareholders**

A shareholder of our Company is a person who lawfully holds the Shares and has his name recorded on the register of shareholders.

A shareholder enjoys rights, and is subject to obligations, according to the class and number of the Shares he holds. Holders of the same class of the Shares enjoy the same rights and subject to the same obligations.

The ordinary shareholder of our Company shall enjoy the following rights:

- (i) to dividends and other distributions in proportion to the number of shares held by him;
- (ii) to request, convene, preside, attend or appoint a proxy to attend shareholders' general meetings and to vote thereat in proportion to the number of shares held by him;
- (iii) to supervise our Company's business operations, and to present proposals and inquiries;
- (iv) to transfer, give or pledge shares held by him in accordance with the laws, administrative regulations and the Articles of Association;
- (v) to obtain relevant information in accordance with the provisions of the Articles of Association;
- (vi) in the event of the termination or liquidation of our Company, to participate in the distribution of surplus assets of our Company according to the number of shares held by him;
- (vii) in the event of a merger or division of our Company, to request our Company to purchase his shares if he objects to the merger or division;
- (viii) shareholders holding more than 3% shares of our Company alone or jointly are entitled to submit a provisional motion in writing to the Board ten days before the shareholders' meeting; and
- (ix) other rights conferred by laws, administrative regulations and the Articles of Association.

Our Company shall not freeze or otherwise impair any of the rights attaching to any Share by reason only that the person or persons who are interested directly or indirectly therein have not disclosed their interests to our Company.

Share certificates of our Company shall be in registered form.

A Shareholder is not liable to make any further contribution to the share capital other than the terms agreed.

Share certificates of our Company shall be signed by the chairman of the Board of our Company. Where the stock exchanges on which the Shares are listed require the share certificates to be signed by some other senior management officer of our Company, the share certificates shall also be signed by such senior management officer. The share certificates shall take effect after being affixed with our Company's seal or a machine-imprinted seal of our Company provided that such seal shall only be affixed with the authority of the Board of Directors. The signatures of the legal representative or other senior management officer of our Company on the Share certificates may be printed in mechanical form. Where the shares are issued or traded on a paperless basis, our Company shall comply with the relevant regulations of securities regulatory authority where the shares of our Company are listed.

Any person who is registered shareholder or who requests to have his name entered into the register of shareholders may, if his share certificate (the "**original certificate**") in respect of shares in our Company is lost, apply to our Company for a replacement new share certificate in respect of such shares (the "**Relevant Shares**").

If a holder of Domestic Shares loses his share certificate and applies for a new share certificate, it shall be dealt with in accordance with Article 144 of the Company Law. If a shareholder of foreign shares listed outside the PRC loses his share certificate and applies for a new share certificate, the issue of such certificate shall comply with the following requirements:

- (i) the applicant shall submit an application to our Company in the form prescribed by our Company accompanied by a notarial certificate or a statutory declaration stating the grounds upon which the application is made and the circumstances and evidence of the loss of the original certificate and declaring that no other person is entitled to be registered as a shareholder in respect of the relevant Shares;
- (ii) before our Company decides to issue the new share certificate, no statement made by any person other than the applicant declaring that he shall be registered as a shareholder of such shares;
- (iii) if our Company decides to issue a new share certificate to the applicant, it shall make an announcement of its decision at least once every 30 days for a period of 90 days in such newspapers as may be designated by the Board. The newspaper designated by the Board shall be a Chinese newspaper and an English newspaper (at least one for each language) as recognized by the Stock Exchange;
- (iv) our Company shall have, prior to publication of its decision to issue a new share certificate, delivered to the Stock Exchange a copy of the announcement to be published. Our Company may publish the announcement upon receiving a confirmation from the Stock Exchange that the announcement has been exhibited in the premises of the Stock Exchange. The announcement shall be exhibited in the premises of the Stock Exchange for a period of 90 days. If the application for issuing a new share certificate has not been approved by the registered shareholders of the relevant Shares, our Company shall send a copy of the announcement to be published to such shareholders by post;

- (v) if, upon expiration of the 90-day period referred to in the above (iii) and (iv), our Company has not received from any person notice of any disagreement to such replacement of share, our Company may issue a replacement new share certificate to the applicant accordingly;
- (vi) where our Company issues a replacement new share certificate under this clause, it shall immediately cancel the original share certificate and enter the cancellation and replacement issue in the register of shareholders accordingly; and
- (vii) all expenses relating to the cancellation of an original share certificate and the issue of a replacement new share certificate by our Company shall be borne by the applicant. Our Company may refuse to take any action until reasonable security is provided by the applicant for such expenses.

**(d) Untraceable members**

Our Company exercises power to cease sending dividend warrants by post to a holder holding foreign shares listed overseas, if such warrants have not been cashed twice in a row. However, such power may be exercised after the first occasion on which such a warrant is returned undelivered.

Our Company shall not exercise power to sell the shares of a shareholder holding foreign shares listed overseas who is untraceable unless:

- (i) during a period of 12 years at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed; and
- (ii) on expiry of the 12 years our Company gives notice of its intention to sell the shares by way of an advertisement published in one or more newspapers and notifies the Stock Exchange of such intention.

**(e) The Board of Directors**

The Board of Directors shall be accountable to the general meeting of the Shareholders, and shall exercise the following functions and powers:

- (1) to convene general meetings and report on its work to the Shareholders;
- (2) to implement the resolutions of general meetings;
- (3) to decide on our Company's business plans and investment plans;
- (4) to formulate our Company's proposed annual financial budget and final accounts;
- (5) to formulate our Company's profit distribution plan and plan for making up for losses;
- (6) to formulate proposals for the increase or reduction of our Company's registered capital, the issue of corporate bonds, other securities and listing plan;

- (7) to prepare plans for material acquisition or sale, repurchase of our Company's shares, merger, demerger, dissolution or change of the form of our Company;
- (8) to decide on the establishment of our Company's internal management system;
- (9) to appoint or dismiss our Company's general manager, chief financial officer, the Board secretary and pursuant to the Nomination Committee or the general manager's nominations to appoint or dismiss vice general manager, and other senior management officers of our Company and to decide on their remuneration and benefits;
- (10) to formulate our Company's basic remuneration, benefits and incentive program;
- (11) appoint or replace any directors and supervisors representing shareholders of the wholly-owned subsidiaries of our Company, and to appoint, replace or nominate shareholders' representatives, directors (candidates) and supervisors representing shareholders (candidates) of controlling and holding subsidiaries;
- (12) to formulate our Company's basic management system;
- (13) to formulate plans for the amendment of the Articles of Association;
- (14) to formulate our Company's branch structure inside and outside the PRC;
- (15) to formulate plans for merger, division or reorganization of its wholly-owned or controlled subsidiaries;
- (16) to decide on the establishment of the specific committee of the Board and to appoint or dismiss the chairman of the specific committee of the Board;
- (17) to propose on potential candidate for independent Directors and dismissal of independent Directors;
- (18) to propose to the shareholders' general meetings as regards the appointment or replacement of the auditors of our Company;
- (19) to review the work report submitted by the general manager of our Company and to review his performance;
- (20) to deal with disclosure of information on our Company;
- (21) to formulate share incentive option scheme;
- (22) save and except for those decisions to be decided by Shareholders pursuant to the law, regulations and the Articles of Association, to exercise decision-making power on issues in respect of external investment (including increase in investment and equity transfer), financing, venture investment, entrusted wealth management, provision of external guarantees;
- (23) to decide on other material issues of our Company, which are not stipulated in the Company Law and the Articles of Association to be decided by the shareholders' general meetings;



- (24) to decide on and to monitor the implementation of our Company's risk management system, including risk assessments, financial control, internal audit, legal risk control;
- (25) to exercise other powers authorized by the Articles of Association or other powers conferred by the shareholders' general meeting; and
- (26) to exercise other powers and functions stipulated in the law of the PRC.

The above resolutions must be passed by a majority vote of all Directors, with the exception of items (6), (7) and (13) above which shall require the consent of more than two thirds vote of the Directors.

Meetings of the Board shall be held regularly at least four times each year and shall be convened by the Chairman of the board of Directors. Directors and Supervisors shall be notified 14 days before the date of the meeting. A quorum will be formed by more than half of the Directors attending a Board meeting in person.

If a Director is unable to attend a board meeting, he may appoint another Director by a written power of attorney to attend on his behalf. Such a power of attorney shall specify the scope of authorization. Directors attending board meetings on behalf of other directors shall exercise their power as directors within their scope of authorization. If a Director fails to attend a board meeting and does not appoint an attorney to attend, the Director is deemed to have relinquished his rights to vote at that meeting.

A Director shall be deemed to be unable to carry out his duties if he fails to attend two consecutive Board meetings and fails to appoint another Director to attend on his behalf either. The Board may propose at the shareholders' general meeting for the removal of such Director.

Each Director shall have one vote. Unless specified otherwise in the Articles of Association, resolutions of the Board of directors must be passed by more than half of all the Directors. Where the numbers of votes cast for and against a resolution are equal, the Chairman shall have the right to cast an additional vote.

**(f) Independent Directors**

The Board of Directors shall include four Independent Directors at all times. The Independent Directors shall be directly accountable, and report, to the shareholders' general meeting, the securities regulatory authorities and other relevant government agencies.

**(g) Secretary to the Board of Directors**

The secretary to the Board of Directors shall be a natural person who has the requisite professional knowledge and experience, and shall be appointed by the Chairman of Board, employed and removed by the Board.

**(h) Supervisory Board**

Our Company shall have a Supervisory Board.

The Supervisory Board shall be composed of three members, one of whom shall be the chairman of the Supervisory Board. The term of office of supervisors shall be three years, renewable upon re-election.

The election or removal of the chairman of the Supervisory Board shall be decided by two-thirds or more of the Supervisors.

The decisions of the Supervisory Board shall be made by the affirmative vote of two-thirds or more of the supervisors.

The Directors and senior officer of our Company shall not act concurrently as Supervisors.

The Supervisory Board shall be accountable to the shareholders' general meeting and exercise the following functions and powers in accordance with law:

- (i) to supervise the Directors, general manager and other senior management officers in their performance of duties and to propose the removal of Directors and senior management officers who have contravened any laws, administrative regulations, the Articles of Association or shareholders' general meetings;
- (ii) to demand rectification from a Director or senior management officers of our Company who acts in a manner which is harmful to our Company's interest to rectify such behavior;
- (iii) to examine our Company's financial situation;
- (iv) to propose to convene a shareholders' extraordinary general meeting, and to convene and preside over shareholders' general meetings when the Board fails to perform its obligation to convene and preside the general meetings as provided under the Company Law;
- (v) to advance proposals at the shareholders' general meeting;
- (vi) to institute a suit against the Directors or senior management officers pursuant to article 152 of the Company Law; and
- (vii) other functions and powers conferred by by law, administrative regulations and the Articles of Association.

**(i) General Manager**

The general manager shall be accountable to the Board and exercise the following functions and powers:

- (i) to be in charge of our Company's production, operation and management and report to the Board;
- (ii) to organize the implementation of the resolutions of the Board, our Company's annual business plan and investment plan;
- (iii) to formulate our Company's annual budget, financial accounts and make suggestions to the Board;
- (iv) to formulate plans for merger, division or dissolution of its wholly-owned or controlled subsidiaries;
- (v) to formulate our Company's basic management system and internal management structure;
- (vi) to formulate the plans for the establishment of branches of our Company's branch structure inside and outside People's republic of China;
- (vii) to formulate basic rules and regulations of our Company;
- (viii) to propose the appointment or dismissal of our Company's vice general manager and other senior management officers;
- (ix) to appoint or dismiss management personnel except for those appointed or dismissed by the Board;
- (x) to formulate our Company's basic remuneration, benefits and incentive program, as well as employment and removal of Company staff;
- (xi) to propose to convene an extraordinary meeting of the Board of Directors in case of emergency;
- (xii) to formulate the plans for branch structure of wholly-owned and controlled subsidiary;
- (xiii) to determine on investment, financing, contracts and transactions within the scope of authorization of the Board; and
- (xiv) other functions and powers conferred by the Articles of Association and the Board.

Our Company shall have vice general managers who shall assist the general manager in his work. Vice general managers shall exercise certain powers of general manager within the scope the authorization.

**(j) Common Reserve Fund**

When distributing the after-tax profits of the current year, our Company shall allocate 10% of its profits to its statutory common reserve fund. When the cumulative amount of the statutory common reserve fund of our Company has reached 50% or more of its registered capital, no further allocation is required.

When the statutory common reserve fund of our Company is insufficient to make up for the losses of our Company incurred during the previous years, before making allocation to the statutory common reserve fund in accordance with the preceding paragraph, the profits generated during the current year shall be used to make up for such losses.

After making allocation to the statutory common reserve fund of our Company from its after-tax profits, our Company may, subject to resolutions adopted at a general meeting, also allocate funds from the after-tax profits to the discretionary common reserve fund.

After making up for the losses and making contributions to the common reserve fund, any remaining after tax profits (the lower of IFRS and PRC GAAP after tax profits) shall be distributed to the shareholders in proportion to their respective shareholdings, except it is stipulated in the Articles of Association that profit distributions shall not be made in accordance with the shareholding proportion.

If the shareholders' general meeting has, in violation of the provisions of the preceding paragraph, distributed profits to the shareholders before our Company has made up for its losses and made allocations to the statutory common reserve fund, the shareholders must return the profits distributed in violation of the provision to our company.

No profits shall be distributed in respect of the shares held by our Company.

The common reserve fund of our Company shall be used to make up for its losses, increase the scale of production and operation of our Company or convert the same into the capital of our Company to increase the amount thereof, provided that the capital common reserve fund shall not be applied to making up the losses of our Company.

At the time of converting the statutory common reserve fund into registered capital, the amount retained in such common reserve fund shall not be less than 25% of the registered capital before the said conversion.