

This Appendix contains a summary of the principal provisions of the Articles of Association, which was adopted on November 16, 2010 and will become effective on the date that our H Shares are listed on the Hong Kong Stock Exchange. The principal objective of this Appendix is to provide potential investors with an overview of the Articles of Association. As the information contained below is a summary form, it does not contain all the information that may be important to potential investors. A copy of the full Chinese text of the Articles of Association is available for inspection as mentioned in “Appendix X—Documents Delivered to the Registrar of Companies and Available for Inspection”.

## **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 general meeting by way of special resolution. Any such allotment or issue must be conducted in accordance with the procedures stipulated by relevant laws and administrative regulations.

### **(b) Power to dispose of fixed assets**

The Board shall not, without the approval of shareholders in general meeting, dispose or agree to dispose of any fixed assets of the Company where the aggregate of: (i) the expected value of the contemplated disposition; and (ii) the total value obtained for disposition of fixed assets in the period of four months immediately preceding the proposal of the contemplated disposition, exceeds 33% of the value of the Company’s fixed assets as shown in the last audited balance sheet placed before the shareholders in general meeting.

For the purposes of the preceding paragraph, disposition includes an act involving a transfer of an interest in assets other than provision of guarantee with its fixed assets.

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

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

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

- (i) an offer made to all shareholders of the Company; or
- (ii) an offer is made such that the offeror will become the controlling shareholder of the Company (as defined in the 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 among those persons shall be borne by such Director or Supervisor and not deducted from the sum distributed.

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

The Company may not directly or indirectly provide a loan or loan guarantee to the Directors, Supervisors, or senior management officers of the Company or its parent company. The Company may also not provide any loan or loan guarantee to any connected person to such Directors, Supervisors, or senior management officers.

A loan made by the Company in breach of the prohibition described above shall be forthwith repayable by the recipient of the loan regardless of the terms and conditions of the loan. A guarantee for a loan provided by the Company in breach of the prohibition referred to above shall be unenforceable against the Company unless:

- (i) the lender did not know the relevant connection when the Company provided the loan to the connected person of the Directors, Supervisors, or senior management officers of the Company or its parent company, or
- (ii) the collateral provided by the Company has been lawfully sold by the lender to a bona fide purchaser.

The following transactions are not subject to the provisions above:

- (i) providing loans or loan guarantees to the subsidiary of the Company;
- (ii) providing loans or loan guarantees or any other funds to the Directors, Supervisors, or senior management officer of the Company to pay the expenditure in accordance with the employment contract approved by the shareholders' general meeting, for the purposes of the Company or for the purpose of performing the duties of the Directors, Supervisors, or senior management officers; and
- (iii) if the business scope of the Company includes providing loans, loan guarantees, then the Company may provide loans or loan guarantees to its Directors, Supervisors, senior management officers or their connected persons subject to normal commercial terms.

For the content above, guarantees include undertaking responsibilities as a guarantor or providing properties to secure the obligor to perform its obligations.

**(e) Giving of financial assistance to purchase the shares of the Company**

Subject to the Articles of Association:

- (i) neither the Company nor any of its subsidiaries (including associates) shall at any time or in any manner provide financial assistance to a person who acquires or is proposing to acquire shares in the Company. The said person includes any person who has directly or indirectly born any liability as a result of the acquisition of shares in the Company; and
- (ii) neither the Company nor any of its subsidiaries (including associates) 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.

“Bear liability” includes bearing liability for an agreement or arrangement (whether enforceable or unenforceable, and whether bearing independently or collectively with any other person) or for any other means changing his financial situation.

“Financial assistance” includes, without limitation to:

- (i) donating;
- (ii) guarantee (including undertaking responsibilities as a guarantor or providing properties to secure the obligor to perform its obligations), compensation (other than an compensation due to the Company’s own default), releasing or waiving rights;
- (iii) providing a loan or entering into an agreement under which the Company needs to perform its liabilities ahead of the other contracting parties; or changing contracting parties or assigning rights under such loan or such agreement; or
- (iv) providing financial assistance in any other manner when the Company is insolvent or has no net assets or its net assets would thereby be reduced materially.

The following behaviors are not prohibited:

- (i) providing financial assistance with purpose genuinely for the Company’s interests, and not for the purpose of acquiring the Company’s shares, or such financial assistance is an incidental part of an overall plan of the Company;
- (ii) distribution of the Company’s properties as dividend lawfully declared;
- (iii) distribution of dividends by way of shares;
- (iv) reduction of registered capital, repurchase of shares of the Company, adjustment of the shareholding structure in accordance with the Articles of Association;
- (v) providing loans for normal business subject to the Company’s business scope, (but the Company’s net assets should not be thereby reduced or, even reduced, the financial assistance is provided from distributable profits; and

- (vi) providing funds for the employees' share schemes (but the Company's net assets should not be thereby reduced or, even reduced, the financial assistance is provided from distributable profits).

**(f) Disclosure of interests in and voting on contracts with the Company**

When a Director, Supervisor, or senior management officer of the Company is in any way, directly or indirectly, materially interested in an existing or planned contract, transaction or arrangement with the Company (other than the 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.

Unless the interested Director, Supervisor, or senior management officer has disclosed his interests in accordance with the preceding paragraph and the contract, transaction or arrangement has been approved by the Board of directors at a meeting in which the interested Director is not counted in the quorum and has refrained from voting, the Company has the right to rescind the 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, or management officer. A Director, Supervisor, and senior management officer of the Company is deemed to be interested in a contract, transaction or arrangement in which his related parties have interest.

If a Director, Supervisor, or senior management officer of the Company gives the Board a notice in writing 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 the 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 the Company considered to enter into such contract, transaction or arrangement in the first time.

**(g) Remuneration**

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

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

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

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

The following persons may not serve as a Director, Supervisor, or senior management officer of the 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 damaging 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 or was ordered to close down due to a violation of the law and were personally responsible for such revocation, where less than three years have elapsed since the date of the completion of the revocation;
- (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 have been given a punishment by the securities regulatory authority of the State Council as prohibition from access to securities market which has not expired;
- (viii) persons who have been convicted of offences of violating 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 lapsed since the date of conviction;
- (ix) persons who are not natural persons; and
- (x) other persons stipulated by laws, administrative regulations, department provisions, the rules of the securities regulatory authorities and the stock exchange where the Company's shares are listed.

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

The Board of directors shall consist of nine directors. The Directors shall be elected at shareholders' general meetings. A Director is not required to hold any shares in the Company. 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 the Company at least seven days before the date of convening the general meeting. Each candidate of Director and Supervisor shall be proposed in a separate motion to the shareholders' general meeting for resolution.

The chairman and vice chairman of the Board of directors shall be elected or removed by more than one half of all of the Directors. A Director within term of office (without prejudice to any claim for damages under any contract) may be removed by ordinary resolutions 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.

The General Manager, or other senior management officer may serve concurrently as the director, however, the concurrently directors acted by the General Manager, other senior management officer as well as by staff representatives shall not exceed 1/2 of the total number of Board of directors.

**(i) Borrowing powers**

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 provisions which give the Board of Directors the power to formulate proposals for the issuance and listing of debentures by the Company; and provisions which provide that the issuance of debentures must be approved by the Shareholders of the Company in a general meeting by way of a special resolution.

**(j) Liabilities**

The Directors, Supervisors, and senior management officers of the Company owe fiduciary duties and duties of diligence to the Company. In addition to any rights and remedies provided in relevant laws and administrative regulations, the Company is entitled to adopt the following measures where a Director, Supervisor, or senior management officer is in breach of his duties owed to the Company:

- (i) to claim against such a Director, Supervisor, or senior management officer for losses incurred by the Company as a result of his breach;
- (ii) to rescind any contract or transaction entered into between the Company and the Director, Supervisor, or senior management officer and a third party (when such third party know or should have known the breach of such duties of the Director, Supervisor, or senior management officer who representing the Company);
- (iii) to claim for the profits made by the Director, Supervisor, or senior management officer as a result of his breach;

- (iv) to recover any monies received by the Director, Supervisor, or senior management officer which should have been received by the Company, including, without limitation, commissions;
- (v) to demand the Director, Supervisor, or senior management officer to return of the interest earned or which may have been earned on any monies which should have been delivered to the Company; and
- (vi) to execute legal procedures ruling that the interest of a Director, Supervisor, or senior management officer earned through his breach of duty belongs to the Company.

Each Director, Supervisor, and senior management officer of the Company should abide by his fiduciary principles in the implementation 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 the Company;
- (ii) to exercise his powers within the scope specified and not to be ultra vires;
- (iii) to exercise the discretion vested in him personally and not allow himself to act under the direction of another; unless and to the extent permitted by law, administrative regulation or by the shareholders general meeting with the knowledge of the relevant facts, not to delegate the exercise of his discretion to any others;
- (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 the Company;
- (vi) not to use the Company's properties for his personal benefit in any manner without the informed consent of shareholders in general meeting;
- (vii) not to use his position to accept bribes or other illegal income and not to misappropriate the Company's properties in any manner, including (without limitation) opportunities beneficial to the Company;
- (viii) not to accept commissions in connection with the Company's transactions without the informed consent of shareholders in general meeting;
- (ix) to abide by the Articles of Association, faithfully perform his duties and protect the interests of the Company, and not to use his position and powers in the Company to seek personal gain;



- (x) except with the informed consent of shareholders given in general meeting, not to abuse its power to seek business opportunity for himself (herself) or others that shall have been attributed to the Company, and not to operate for himself (herself) or others the same kind of business as that of the Company, and not to compete with the Company in any way;
- (xi) not to misappropriate the Company's funds, not to open any bank account in his own name or other name for the deposit of the Company's assets or funds;
- (xii) not to act against the Articles of Association hereof to lend to others the Company's funds and to provide guarantees with the Company's assets for debts of shareholders of the Company or any other individuals without the approval of the shareholders' general meeting or the Board of directors;
- (xiii) not to harm the interests of the Company by way of connected relationship;
- (xiv) without the informed consent of shareholders in general meeting, not to disclose confidential information of the Company acquired while in office and not to use such information other than in furtherance of the interests of the Company, save and except that disclosure of information to a court or a relevant governmental authority is permitted where (i) under the compulsion of law; (ii) under the requirement of the public interest; or (iii) under the requirement of the personal interests of the Director, Supervisor, or senior management officer.

A Director, Supervisor, or senior management officer of the Company shall not instigate the following persons or institutions to do what such Director, Supervisor, or senior management officer is not permitted to do:

- (i) the spouse or minor child of such a Director, Supervisor, or senior management officer;
- (ii) a trustee for such a Director, Supervisor, or senior management officer or of any person referred to in (i) above;
- (iii) a partner of such a Director, Supervisor, or senior management officer or of any person referred to in (i) and (ii) above;
- (iv) a company in which that a Director, Supervisor, or 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, or senior management officers of the Company, have de facto control; or
- (v) a Director, Supervisor, or senior management officer of a company referred to in (iv) above.

The fiduciary duties of a Director, Supervisor, and senior management officer of the Company might not cease with the termination of his tenure. The duty of confidentiality in relation to commercial secrets of the Company survives the termination of his term of office. Other duties may continue for such period as fairness may require depending on the time



lapse between the termination of his term of office and the occurrence of the matter and the circumstances and the terms under which the relationships between him and the Company are terminated.

Except in circumstances referred to in the Articles of Association, obligations of a Director, Supervisor, or senior management officer arising from the violation of a specific duty may be released by shareholders in general meeting on an informed basis.

In addition to duties imposed by relevant laws, administrative regulations or the listing rules of the securities exchange on which the Company's shares are listed, Directors, Supervisors, and senior management officers shall bear the following duties to the shareholders when exercising their functions and powers:

- (i) not to cause the Company to go beyond the business scope specified by its business license;
- (ii) to act honestly in what they consider to be the best interest of the Company;
- (iii) not to deprive in any way the Company of its properties, including (but not limited to) opportunities beneficial to the 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.

Each of the Directors, Supervisors, and senior management officers of the Company shall exercise his powers and fulfill his duties as a reasonably prudent person with due care, diligence and skill under the similar circumstances.

Where the Company incurs losses as a result of a Director or senior management officer having violated any provision of law, administrative regulation or the Articles of Association in the execution of company duties, shareholders alone or in aggregate holding 1% or more of the Company's shares for one hundred and eighty (180) consecutive days or more shall be entitled to request in writing the supervisory board to initiate proceedings in a court; where the Company incurs losses as a result of the supervisory board having violated any provision of law, administrative regulation or the Articles of Association in the execution of company duties, shareholders may request the Board of directors in writing to initiate proceedings in a court.

If the supervisory board or the Board of directors refuses to initiate proceedings upon receipt of the written request of shareholders set forth in the preceding paragraph, or fails to initiate such proceedings within thirty (30) days from the date on which such request is received, or in case of emergency where failure to initiate such proceedings will immediately result in irreparable damage to the Company's interests, shareholders described in the preceding paragraph shall have the right to initiate proceedings in a court directly in their own name in the interests of the Company.

Shareholders provided for in the Articles of Association may also initiate proceedings in a court in accordance with the preceding two paragraphs in the event that the lawful interests of the Company is infringed upon by a third party and that the Company suffers from losses accordingly.

Shareholders may initiate proceedings in a court if a Director or senior management officer has breached the laws, administrative regulations or the Articles of Association resulting in impairing the interests of shareholders.

## **2 AMENDMENT OF THE ARTICLE OF ASSOCIATION**

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

Where the amendments to in the Articles of Association passed by the shareholders' general meeting need the examination and approval of the competent authorities, these amendments shall be submitted hereto for approval; where the registration proceedings are involved, the registration shall be handled lawfully.

## **3 VARIATION OF RIGHTS OF EXISTING SHARES OR CLASSIFIED SHARES**

The 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 to or more than that of 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 affect an exchange or grant 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 acquire accrued dividends or cumulative dividends of the shares of such class;
- (iv) to reduce or remove a dividend preference or a liquidation preference for distribution of assets attached to the shares of such class;
- (v) to add, remove or reduce conversion, options, voting, transfer or pre-emptive rights or rights to acquire securities of the Company of the shares of such class;
- (vi) to remove or reduce rights of the shares of such class to receive payable payments from the Company in any particular currency;

- (vii) to create a new class of shares having voting or distribution rights or privileges equal to or more than that of the shares of such class;
- (viii) to restrict the transfer or ownership of the shares of such class or to increase any such restrictions;
- (ix) to issue rights to subscribe for, or convert into, shares in the Company of such class or another class;
- (x) to increase the rights or privileges of another class;
- (xi) to restructure the Company where the restructuring plan will result in different classes of shareholders bearing a disproportionate burden in such restructuring; and
- (xii) to vary or abrogate the relevant provisions in the Articles of Association.

Shareholders of the affected class, whether or not having the right to vote at general meetings previously, shall nevertheless have the right to vote at the shareholders' meetings of such class 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 the shareholders' meetings of such class.

An "Interested Shareholder" is:

- (i) in the case of a repurchase of shares by the Company by offers to all shareholders in the same portion or public dealing on a stock exchange in accordance with the Articles of Association, a controlling shareholder within the meaning of the Articles of Association;
- (ii) in the case of a repurchase of shares by the Company by an contract outside the stock exchange under the Articles of Association, a shareholder to whom the contract is related;
- (iii) in the case of a restructure plan of the 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.

Resolutions of the meeting 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 the Company 45 days prior to the convening 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 the Company 20 days prior to the convening of the meeting.

The 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 one half or more of the total number of such shares of the Company. If not, the 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, the Company may convene the class shareholders' meeting.

Notice of class shareholders' meetings need only be delivered to the shareholders entitled to vote thereat.

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

In addition to shareholders of other class shares, shareholders of Domestic Shares and Overseas Listed Shares are deemed to be shareholders of different classes.

Voting by shareholders of different classes of Shares is not applicable in the following situations:

- (i) where the 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 Shares;
- (ii) where the Company completes, within 15 months from the date on which approval is given by the securities regulatory authorities of the State Council, its plan (made at the time of its establishment) to issue Domestic Shares and Overseas Listed Shares; and
- (iii) where the shareholder of the domestic shares transfers his shares to foreign investors for listing and trading on an overseas stock exchange, subject to the approval of the securities regulatory authority of the State Council.

#### **4 SPECIAL RESOLUTIONS—MAJORITY REQUIRED**

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

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

To adopt a special resolution more than two thirds of the voting rights 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 the company have the right to attend or appoint a proxy to attend shareholders' general meetings and to vote thereat. Shareholders (including proxies) when voting at a shareholders' general meeting may exercise voting rights in accordance with the number of voting rights that they represent, each share shall have one vote.

At any shareholders' meeting, voting shall be with registered voter. A shareholder (including his proxy) entitled to two or more votes may not cast all his votes in favor of or against a resolution.

In the case of an equality of votes, 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. Shareholders' general meetings shall be convened by the Board of directors. 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**

The Company shall establish its financial and accounting systems in accordance with the laws, administrative regulations and PRC accounting standards formulated by the relevant authority of the State Council.

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

The financial statements of the Company shall, in addition to being prepared in accordance with the PRC accounting standards and regulations, be prepared in accordance with either international accounting standards or that of the place outside China where the Company's shares are listed. If there is any material difference between the financial statements prepared respectively in accordance with the aforesaid accounting standards, such difference shall be stated in the notes of the financial statements. For the purposes of distribution of the Company's after-tax profits in a financial year, the lower of the after-tax profits as shown in the different set of financial statements shall be adopted.

The financial reports of the Company shall be made available at the Company for inspection by shareholders 20 days before the annual general meeting. Every shareholder of the Company is entitled to a copy of the financial reports.

The above financial report shall, at least 21 days before the date of convening the general meeting, be delivered by pre-paid post to the registered address of every holder of Overseas Listed Shares or by other means (including by issuing the notice on the website of the Company or other websites as designated by the stock exchange on which the Company's shares are listed) permitted by such stock exchange.

The interim results or financial information that the Company announces or discloses shall be in according to both PRC accounting standards, rules and regulations, and international accounting standards or accounting standards of the place on which shares of the Company are listed.

The Company shall disclose its financial reports two times in each financial year, that is, its interim financial reports within 60 days of the end of the first six months of a financial year and its annual financial reports within 120 days of its financial year end.

The Company shall not keep any other books of accounts other than the statutory one.

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

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

The first accountants firm of the 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 the Company shall hold office from the conclusion of the annual general meeting of shareholder 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 the 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.

The Company's appointment of, removal of and non-reappointment of an accountants firm shall be resolved upon by the shareholders in general meeting.

Prior to the removal or the non-renewal of the appointment of the accountants firm, an advance 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 present its views at the shareholders' general meeting.

Where the accountants firm resigns, it shall make clear to the shareholders' general meeting whether there is any impropriety on the part of the Company.

The accountants firm may resign by depositing at the 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 that its resignation is not connected with any circumstance it considers should be brought to the notice of the shareholders or creditors of the Company; or
- (ii) a statement of any such circumstances.

Where a notice is deposited under the preceding paragraph, the Company shall, within fourteen (14) days as of receiving the resignation notice, send a copy of the notice to the relevant governing authority. If the notice contains a statement under circumstance (ii) of the preceding paragraph, a copy of such statement shall be placed at the Company for shareholders' inspection. The Company shall also send a copy of such statement by prepaid mail to every holder of overseas listed shares at the address registered in the register of shareholders, or pursuant to applicable laws, regulations and listing rules, by issuing the notice on the website of the Company or other websites as designated by the stock exchange on which the Company's shares are listed.

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 the 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 SHAREHOLDER'S GENERAL MEETING AND AGENDA**

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

Unless under special circumstances, such as the Company is in a crisis, the Company shall not enter into any contract with any person other than a Director, Supervisor, the senior management officer whereby such person is entrusted with the management of the whole or a material part of any business of the Company without the approval of shareholders in general meeting with a special resolution.

Shareholders' general meetings are divided into annual general meetings and extraordinary general meetings. Under any of the following circumstances, the Board shall convene an extraordinary general meeting within two 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 the Company amount to one third of its paid-up share capital;



- (iii) when shareholders individually or collectively holding 10% or more of the Company's shares request in writing the convening of an extraordinary general meeting;
- (iv) when the Board of directors considers necessary;
- (v) when the supervisory board requests;
- (vi) other situations stipulated by laws, administrative regulations, and the Articles of Association.

The independent directors and the supervisory board have the right to propose the convention of an extraordinary general meeting to the Board of directors, the Board of directors shall, in accordance with laws, regulation and the Articles of Association, made written feedback concerning approval or disapproval its convention within ten (10) days as of its receipt of the proposal. Where the Board of directors approves the convention of the extraordinary general meeting, it shall issue the notice thereof within five (5) days after the decision has been made by the Board. If the Board of directors disapproves the proposal of the independent directors to convene an extraordinary general meeting, it shall explain the reason thereof and announce the same. If the Board of directors disapproves the proposal of the supervisory board to convene an extraordinary general meeting or fails to make feedback within ten (10) days as of its receipt of the proposal, it shall be deemed incapable to fulfill the obligation and the supervisory board may thereby convene and preside over the conference.

Shareholder(s) alone or in aggregate holding in aggregate 10% or more of the shares have the right to require the Board to convene a shareholders' extraordinary meeting or class meeting by the following procedures:

- (i) by signing one or more counterpart written requisition(s) stating the object of the meeting, require the Board of directors to convene an extraordinary general meeting or a class shareholders' meeting. The Board of directors shall, within ten (10) days after receipt of such written requisition(s), make a written reply with regard whether or not to convene the extraordinary general meeting or class shareholders' meeting. The shareholdings referred to above shall be calculated as at the date of the delivery of the written requisition(s).
- (ii) Where the Board of directors disagree with the request to convene the extraordinary general meeting or class shareholders' meeting or fail to make reply within ten (10) days upon receipt of the above written request, shareholder(s) individually or collectively holding more than ten percent (including the ten percent) of the shares of the Company may request by written requisition(s) the supervisory board to convene the extraordinary general meeting or class shareholders' meeting.
- (iii) Where the supervisory board fails to issue notice of convening meeting within specified time, shareholder(s) individually or collectively holding ten percent or more shares of the Company for over ninety consecutive days may thereby convene and preside over the conference on their own accord.

When the Company is to convene a general meeting, the Board of directors, the supervisory board and the shareholders individually or collectively holding 3% or more of shares shall have the right to put forward proposals to the Company.

To convene a general meeting, the Company shall give written notices 45 days before the date of convening 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 the Company to be received by the Company 20 days before the date of the meeting.

The Company shall calculate, according to the written replies received 20 days before the date of convening the meeting, the number of shares carry voting rights that the shareholders intending to attend the meeting represent. The 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, the Company shall make an announcement, within 5 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, the 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 be in writing, and:

- (i) specify the place, the date and the time of the meeting;
- (ii) state the matters to be discussed at the meeting;
- (iii) specify the date of the share register listing the shareholders that have the right to attend and vote at the shareholders' meeting;
- (iv) provide such information and explanation as are necessary for the shareholders to make a wise decision on the matters to be discussed. This principle shall apply (but not limit) when the Company proposes a merger, buy-back of shares, reorganization of share capital or other restructuring, it shall provide the specific conditions and contract (if any) of the transaction under discussions and earnestly explain the cause and result of the transaction;
- (v) contain a disclosure of the nature and extent, if any, of material interests of any Director, Supervisor, the General Manager, or other senior management officer in any matter to be discussed; and provide an explanation of the difference, if any, between the way in which the matter to be discussed would affect such Director, Supervisor, the General Manager and other senior management personnel in his capacity as shareholder and the way in which such matter would affect other shareholders of the same class;
- (vi) contain the whole text of any special resolution proposed to be passed at the meeting;

- (vii) contain a conspicuous 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 proxy may not be a shareholder;
- (viii) specify the time and place for delivering the letter of proxy for the relevant meeting; and
- (ix) specify the name and contact 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) by personal delivery or prepaid mail to their addresses registered in the register of shareholders, or pursuant to applicable laws, regulations and listing rules, by issuing the notice on the website of the Company or other websites as designated by the stock exchange on which the Company's shares are listed. For holders of Domestic Shares, notice of Shareholder's general meeting may be made by way of public announcement.

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 days 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. The accidental omission to give notice of a meeting to, or the non receipt of notice of a meeting by, any person entitled to receive notice shall not invalidate the proceedings at that meeting.

Upon issuance of the notice of the shareholders' general meeting, the shareholders' general meeting shall neither be delayed nor cancelled without proper reasons. Motions listed in such notice shall not be revoked. Once the general meeting is delayed or cancelled, the convener shall make a public announcement stating the reasons at least two (2) working days prior to the date originally scheduled for convening the meeting.

The resolutions of a shareholders' general meeting including ordinary resolution and special resolution. The matters which require the sanction of an ordinary resolution at a shareholders' general meeting shall include:

- (i) deciding on the business policy and investment plans of the Company;
- (ii) the election and removal of the members of the Board and Supervisors not representing the workers and staff, their remuneration;
- (iii) the approval of reports of the Board;
- (iv) the approval of reports of the Supervisory board;
- (v) the approval of the annual budget and final financial plan;
- (vi) the approval of plans for the distribution of profits and for making up losses;
- (vii) the appointment and dismissal of the accounting firm of the Company;

- (viii) the approval of the provision of guarantees to a third party which requires the consideration and approval of the shareholders' general meeting pursuant to the Articles of Association;
- (ix) the approval of the change in use of raised proceeds; and
- (x) all other matters required to be adopted by the shareholders' general meeting by laws, administrative regulations, department provisions, the listing rules of the place where the Company's shares are listed and the Articles of Association.

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;
- (ii) the merger, division, dissolution, liquidation or change of the corporate form of the Company;
- (iii) the issue of debentures or other securities of the Company and plan for listing;
- (iv) amendments to the Articles of Association;
- (v) the approval of buying or selling the assets of the Company exceeding 30% of the latest audited total asset value of the Company within one year;
- (vi) the approval of a share incentive scheme; and
- (vii) other matters that may have material influence on the Company and the laws, administrative regulations, the Articles of Association, or the shareholders' general meeting (by an ordinary resolution), consider such matters need to be adopted by a special resolution.

Where any shareholder is, under applicable laws, regulations and the listing rules of the place where the 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.

If the content of a resolution of a shareholders' general meeting or the Board of the Company is in breach of any law and administrative regulation, the shareholders shall have the right to petition to a court to render the same as invalid.

If the procedures for convening a meeting of, or the method of voting at, a general meeting or the Board are in breach of laws, administrative regulations or the Articles of Association, or the content of a resolution is in breach of the Articles of Association, shareholders may petition to a court to rescind such resolutions within sixty (60) days from the date on which such resolution is passed.

**9 TRANSFER OF SHARES**

Subject to the approval of the securities regulatory authority of the State Council, holders of 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 or 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.

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

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

Any gains from the sale of shares of the Company by any Company's Director, Supervisor, senior management officers or shareholders holding 5% or more of the shares in the Company within six (6) months after purchasing such shares, or thereafter any gains from repurchasing such shares in the Company within six (6) months after the sale thereof, shall be vested in by the Company. The Board of the Company shall forfeit such gains from the abovementioned parties. If the Board of the Company fails to comply with the provision set forth in this paragraph, the responsible Director(s) shall be jointly and severally liable in accordance with the law.

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

All the fully paid-up H Shares 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 reason, unless:

- (i) a fee (for each instrument of transfer) of HK\$2.50 or any higher fee as agreed by the Board has been paid to the 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 Hong Kong Stock Exchange from time to time in its Listing Rules;
- (ii) the instrument of transfer only involves H Shares listing in Hong Kong;

- (iii) the stamp duty chargeable on the instrument of transfer has been paid;
- (iv) 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;
- (v) if it is intended to transfer the shares to joint owners, then the maximum number of joint owners shall not exceed four (4);
- (vi) the Company does not have any lien on the relevant shares; and
- (vii) no transfer shall be made to minors or persons of unsound mind or others under legal disability.

The alteration and rectification of each part of the shareholders' register shall be carried out in accordance with the laws of the place where the register is maintained.

No changes in the shareholders' register due to the transfer of shares may be made within thirty (30) days before the date of a general meeting or within five (5) days prior to the reference date set by the Company for the purpose of distribution of dividends.

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

The Company may, with the approval in accordance with the procedures provided in the Articles of Association and subject to the approval of the relevant governing authorities of the State, repurchase its issued shares in the following circumstances:

- (i) cancellation of its shares for the purpose of reducing its share capital;
- (ii) merging with another company which holds shares of the Company;
- (iii) granting shares as incentive to the staff of the Company;
- (iv) acquiring the shares of shareholders who vote against any resolution adopted at the shareholders' general meeting on the merger or division of the Company; or
- (v) other circumstances permitted by the laws and administrative regulations.

If the Company repurchases its own shares due to items (i), (ii), (iv) of the preceding paragraph, the Company shall cancel or transfer such shares within the period prescribed by laws, regulations and listing rules. If the Company repurchases its own shares in accordance with item (iii) of the preceding paragraph, the funds used for the purchase shall be taken from the after-tax profits of the Company, and the shares so repurchased shall not exceed the maximum proportion prescribed by laws and regulations, and shall be transferred to the employees within the prescribed time.

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

- (i) making an offer of repurchase to all its shareholders in the same portion;
- (ii) repurchasing Shares through public dealing on a stock exchange;
- (iii) repurchasing by an agreement outside a stock exchange; and
- (iv) other ways as approved by the relevant regulatory authority.

The Company may, with the prior sanction of shareholders obtained at a shareholder's meeting in accordance with the Articles of Association, repurchase its shares by a contract outside the stock exchange but the Company may rescind or vary such contract or waive any or part of its rights under a contract so entered into by the Company with the prior approval of shareholders obtained at a shareholder's meeting in the same manner. A contract to repurchase shares as mentioned above includes but is not limited to an agreement to become obliged to repurchase or acquire rights to repurchase shares.

The Company shall not assign a contract to repurchase its shares or any of its rights hereunder.

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

- (i) where the Company repurchases its shares at par value, payment shall be made out of the book surplus distributable profits of the Company and out of the proceeds from any issue of new shares made for the purpose of the repurchase;
- (ii) where the Company repurchases its shares at a premium to the par value, payment up to their par value may be made out of the book surplus distributable profits of the Company and the proceeds from any issue of new shares made for the purpose of the repurchase. Payment of the portion in excess of the par value shall be effected as follows:
  - (1) if the Shares being repurchased were issued at par value, payment shall be made out of the book surplus distributable profits of the Company;
  - (2) if the Shares being repurchased were issued at a premium to the par value, payment shall be made out of the book surplus distributable profits of the Company and the proceeds from any issue of new shares made for the purpose of the repurchase, provided that the amount paid out of such proceeds shall neither exceed the aggregate of the premiums received by the Company on the issue of the shares repurchased nor the amount of the share premium account (or the capital reserve fund account) of the Company (including the premiums on the new issues) at the time of the repurchase;



- (iii) payment by the Company for the following purposes shall be made out of the Company's distributable profits:
  - (1) acquisition of rights to repurchase Shares;
  - (2) variation of any contract to repurchase Shares; and
  - (3) release of any of the Company's liabilities under a contract to repurchase Shares.
- (iv) After the Company's registered 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 for paying up the par value portion of the repurchased shares shall be transferred to the Company's share premium account (or capital reserve fund account).

## 11 DIVIDENDS AND OTHER METHODS OF DISTRIBUTION

The Company may distribute dividends by way of cash or bonus 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.

The 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 the 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 of Hong Kong.

After the resolution in respect of profit distribution has been adopted at the shareholders' general meeting, the Board of the Company is required to complete the distribution of dividends (or shares) within two (2) months after such meeting is convened.

## 12 PROXIES OF SHAREHOLDERS

Any shareholder entitled to attend and vote at a shareholders' general meeting shall be entitled to appoint one or more persons (whether or not a shareholder) as his proxy to attend and vote on his behalf. A proxy so appointed shall be entitled to exercise the following rights in accordance with the authorization of such shareholder:

- (i) the shareholder's right to speak at the meeting;
- (ii) the right to demand, whether on his own or together with others, a poll; and
- (iii) the right to vote by raising hands or ballot unless otherwise provided by the listing rules of the stock exchange on which the Company's shares are listed or other applicable securities laws and regulations; however, if the number of proxies entrusted is more than one, such proxies must vote by ballot.

The shareholder shall appoint a proxy in writing with the signature of the principal or his attorney duly authorized in writing, or if the principal is a legal person either under seal or with the signature of its Director or attorney duly authorized.

The instrument appointing a voting proxy shall be deposited at the Company's domicile or at such other place as is specified in the notice convening the meeting not less than 24 hours prior to the time for holding the meeting at which the proxy propose to vote or the time specified for voting. If such instrument is signed by another person under a power of attorney or other authorization documents given by the principal, such power of attorney or other authorization documents shall be notarized. The notarized power of attorney or other authorization documents shall, together with the instrument appointing the voting proxy, be deposited at the Company's domicile or at such other place as is specified in the notice convening the meeting.

If the principal is a legal person, its legal representative or any person authorized by resolutions of its Board of directors or other governing body shall attend the shareholders' meeting as the principal's representative.

Any form issued to a shareholder by the Board for the purpose of appointing a proxy shall be such as to enable the shareholder, according to his free will, to instruct his proxy to vote in favor of or against the motions proposed and in respect of each individual matters to be voted on at the meeting. Such a form shall contain a statement that in the absence of instructions from the principal, the proxy may vote at his own discretion.

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 principal 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 death, loss of capacity, revocation or transfer as aforesaid shall have been received by the Company before the commencement of the meeting at which the proxy is used.

### **13 INSPECTION OF REGISTER OF SHAREHOLDERS AND OTHER RIGHTS OF SHAREHOLDERS**

The Company shall keep a register of shareholders according to the vouchers provided by securities registration institutions.

The 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 overseas and appoint overseas agent(s) to manage such share register. The original register of H Shares shall be maintained at Hong Kong.

Duplicates of the share register for holders of Overseas Listed Shares shall be maintained at the Company's domicile. The appointed overseas agent(s) shall ensure the consistency between the original and the duplicate of the share register at all times.

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

The Company shall keep a complete register of shareholders.

The register of shareholders shall comprise of the following parts:

- (i) register(s) of shareholders other than those specified in items (ii) and (iii) below kept at the domicile of the Company;
- (ii) register(s) of holders of the Company's overseas listed shares kept in the place of the stock exchange(s) where those Overseas Listed Shares are traded; and
- (iii) register(s) of shareholders kept at other places as the Board of directors thinks necessary for the purpose of listing.

Different parts of the register of shareholders shall not overlap. No transfer of Shares registered in any part of the register shall, during the continuance of that registration, be registered in any other part of the register.

The alteration or rectification of any part of the register of shareholders shall be carried out in accordance with the laws of the place where such part of the register is maintained.

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 5 days prior to the reference date set by the Company for the purpose of distribution of dividends.

When the Company decides to convene a shareholders' general meeting, distribute dividends, liquidate or carry out other activities which require the determination of shareholders, the Board of directors or the convening person shall fix a record date for the purpose of determining the shareholding. A person who is registered in the register as shareholders of the Company after the stock market trading hours of the record date shall be a shareholder of the Company.

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

The shareholders have the rights to acquire relevant information in accordance with the Article of Association includes, but without limitation, the following:

- (i) obtain a copy of the Articles of Association after payment of costs;
- (ii) inspect and copy, subject to payment of a reasonable fee:
  - (1) all parts of the register of members;
  - (2) personal particulars of each of the Company's Directors, Supervisors, and senior management officers;
  - (3) the status of the 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 the Company since the last accounting year and the aggregate amount paid by the Company for this purpose;
- (5) corporate bond certificates, minutes of the general meetings of shareholders, resolutions of the Board of directors' meeting, resolutions of the supervisory board, and financial and accounting reports;
- (6) the latest audited financial statements, and report of Directors, report of auditors and report of supervisory board;
- (7) copies of the latest annual inspection report which have been filed with the Industry and Commerce administration and other competent authority in the PRC;

Shareholders demanding inspection of the relevant information or copies of the materials mentioned in the preceding paragraph shall provide to the Company written documents proving the class and number of shares they hold. After confirmation of the shareholder's identity, the Company shall provide such information based on the shareholder's request.

#### **14 QUORUM FOR SHAREHOLDERS MEETINGS**

The 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; if not, the Company shall within five days inform the shareholders once again of the matters to be examined at the meeting as well as the date and place of the meeting in the form of a public announcement. Upon notification by public announcement, the Company may convene the shareholders' general meeting.

The 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 carrying voting rights; if not, the Company shall within five days inform the shareholders once again of the matters to be examined at the meeting and the date and place of the meeting in the form of a public announcement. Upon notification by public announcement, the Company may convene the class shareholders' meeting.

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

In addition to the liabilities imposed by laws and administrative regulations or the Listing Rules on which Shares 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 the 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 the Company;

- (ii) to approve the expropriation by a Director or Supervisor (for his own benefit or for the benefit of another person), in any way, of the Company's assets, including (without limitation) opportunities beneficial to the 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 of distributions and voting, but not including a restructuring of the Company submitted to and approved by shareholders' general meeting in accordance with the Articles of Association.

## **16 PROCEDURE ON LIQUIDATION**

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

- (i) other situations of dissolution that regulated by the Articles of Association;
- (ii) a resolution for dissolution is passed by a shareholders' general meeting;
- (iii) dissolution is necessary due to a merger or division of the Company;
- (iv) the Company is legally declared insolvent due to its failure to repay debts due;
- (v) the Company's business license is revoked or the Company is ordered to close down according to law, the Company is revoked; or
- (vi) where the 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 10% of the voting rights of all shareholders make requisition to the People's Court to liquidate the Company and the People's Court makes the ruling to liquidate the Company.

A liquidation group shall be set up within 15 days after the dissolution of the Company due to the above Item (i), (ii), (v) and (vi), and starts the liquidation procedures. The liquidation group of the Company shall comprise persons appointed by the directors or the shareholders' meeting. If the liquidation group 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 group to conduct the liquidation. Where the Company is dissolved by virtue of the reasons set out in the above Item (iv), the People's Court shall, in accordance with relevant laws, organize the shareholders, the relevant authorities and the professional to establish a liquidation committee for the purpose of dissolution of the Company.

Where the Board proposes to liquidate the Company due to causes other than where the 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 the Company, the Board is of the opinion that the 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 the Company, all functions and powers of the Board shall cease.

The liquidation group 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 the 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 group 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 recognized by the stock exchange where the shares of the Company are listed. Creditors shall, within a period of 30 days commencing from the date of receipt of the written notification, or within a period of 45 days commencing from the date of the announcement for those who do not receive written notification, declare their claims to the liquidation committee.

When declaring their claims, creditors shall explain relevant particulars of their claims and provide supporting material. Claims shall be registered by the liquidation committee. During the period of declaration of claims, the liquidation committee may not repay the debts to the creditors.

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

- (i) to sort out the 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 the Company;
- (iv) to pay all outstanding taxes and the taxes occurred during the liquidation process;
- (v) to settle claims and debts;
- (vi) to deal with assets remaining after the Company's debts having been paid in full;  
and
- (vii) to represent the Company in any civil proceedings.

The liquidation committee shall thoroughly examine the assets of the 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 People's Court for confirmation.

If the liquidation committee, having thoroughly examined the Company's assets and having prepared a balance sheet and assets list, discovers that the 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 the Company insolvent, the company's liquidation committee shall turn over any matters regarding the liquidation to the People's Court.

Following the completion of liquidation, the liquidation group 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 verified by the PRC certified public accountants and submitted to the shareholders' general meeting or the people's court for confirmation. The liquidation group shall also within 30 days after such confirmation, submit the aforementioned documents to the company registration authority and apply for cancellation of registration of the Company announce the termination of the Company.

## **17 OTHER PROVISIONS MATERIAL TO THE COMPANY OR ITS SHAREHOLDERS**

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

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

The 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.

The Articles of Association of the Company shall be a legally binding document that regulates the rights and liabilities between the Company and the shareholders and among the shareholders. Shareholders may sue shareholders in accordance with the Articles of Association of the Company, shareholders may sue directors, supervisors and senior management officers of the Company, shareholders may sue the Company, the Company may also sue shareholders, directors, supervisors and senior management officers.

For the purposes 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**

The Company may increase its capital by the following methods:

- (i) offering shares publicly;
- (ii) private issue of shares;
- (iii) allotting bonus shares to its existing shareholders;
- (iv) conversion of capital common reserve; and
- (v) any other ways permitted by laws, administrative regulations and the regulatory authorities.

The Company's increase of its capital by issuing new shares shall be handled in accordance with the procedures provided for in relevant State laws and administrative regulations after having been approved in accordance with the Articles of Association.



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

When the Company reduces its registered capital, it shall prepare a balance sheet and an inventory of assets.

The Company's registered capital after reduction shall not be less than the statutory minimum amount.

The term "overseas investors" shall refer to investors from foreign countries or from Hong Kong, Macao or Taiwan District that subscribe for shares issued by the Company, and the term "domestic investors" shall refer to investors inside the People's Republic of China, excluding the above-mentioned regions, that subscribe for shares issued by the Company.

Shares issued by the Company to domestic investors and to be subscribed for in Renminbi shall be referred to as "Domestic Shares". Shares issued by the Company to overseas investors and to be subscribed for in foreign currency shall be referred to as "Foreign Shares". Foreign shares listed outside the PRC shall be referred to as "Overseas Listed Shares".

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 and 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.

### **(c) Shareholders**

A shareholder of the Company is the person who lawfully holds shares of the Company and has his name recorded on the register of shareholders. A shareholder has rights, and is subject to liabilities, according to the class and number of shares he holds. Holders of the same class of shares have the same rights and subject to the same liabilities.

The ordinary shareholder of the Company shall have the following rights:

- (i) to obtain 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;
- (iii) to supervise the Company's business operations, and to present proposals and inquiries;
- (iv) to transfer, give or pledge shares in accordance with the laws, administrative regulations the listing rules of the stock exchange on which the shares of the Company are listed 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 the Company, to participate in the distribution of surplus assets of the Company according to the number of shares held by him;
- (vii) in the event of a merger or division of the Company, the right to request the Company to purchase his shares if he objects to the resolution adopted by the shareholders' meeting approving the merger or division; and
- (viii) other rights conferred by laws, administrative regulations, department provisions and the Articles of Association.

The 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 to disclose their interests to the Company.

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

Any person who is registered shareholder or who requests to have his name (title) entered into the register of shareholders may, if his share certificate (the "original certificate") in respect of shares in the Company is lost, apply to the 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 replacement new share certificate, it shall be dealt with in accordance with relevant provisions of the Company Law.

Applications for the replacement of share certificates from holders of foreign shares listed outside the PRC who have lost their certificates may be dealt with in accordance with the laws, regulations, rules of the stock exchange and other relevant regulations of the place where the original register of holders of Overseas Listed shares are kept.

If a shareholder of H share loses his share certificate and applies for a replacement new share certificate, the replacement of such certificate shall comply with the following requirements:

- (i) the applicant shall submit an application to the Company in the form prescribed by the 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 the Company decides to issue the replacement 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) the Company shall, if it decides to issue a replacement new share certificate to the applicant, make an announcement of its decision at least once every thirty (30) days for a period of ninety (90) days in such newspapers as may be designated by the Board;
- (iv) the Company shall have, prior to publication of its decision to issue a replacement new share certificate, delivered to the stock exchange on which its shares are listed a copy of the announcement to be published. The Company may publish the announcement upon receiving a confirmation from such stock exchange that the announcement has been exhibited in the premises of the stock exchange. The announcement shall be exhibited in the premises of the stock exchange for a period of ninety (90) days.

In the case of an application to issue a replacement new certificate being made without the consent of the registered holder of the Relevant Shares, the Company shall deliver by mail to such registered shareholder a copy of the announcement to be published.

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

**(d) Untraceable shareholders**

Subject to compliance with the relevant laws and administrative regulations of the PRC, the Company may exercise its right to confiscate the dividends which are not claimed by anyone but such right can only be exercised after the expiry of the relevant prescription.

The Company may exercise power to cease sending dividend warrants by post to a holder of Overseas Listed Shares when such warrants have not be cashed twice in a row. However, such power may also be exercised after the first occasion on which such a warrant is returned undelivered.

The Company may exercise power to sell the shares of an overseas shareholder who is untraceable in the manner considered appropriated by the Board if:

- (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 the 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 where such shares are listed 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:

- (i) to convene general meetings and report on its work to the shareholders;
- (ii) to implement the resolutions of general meetings;
- (iii) to decide on the Company's business plans, investment plans;
- (iv) to formulate the Company's proposed annual financial budget and final accounts;
- (v) to formulate the Company's profit distribution plan and plan for making up for losses;
- (vi) to formulate proposals for the increase or reduction of the Company's registered capital, and plans for the issue of corporate bonds or other securities and the listing plan;
- (vii) to prepare plans for merger, demerger, dissolution or change of the form of the Company;
- (viii) to prepare plans for material acquisition, purchase of the Company's shares;
- (ix) to decide on the Company's investment, transaction of assets, mortgage of assets, provision of guarantees, entrust financing and connected transaction, etc. with the authorization of the shareholders' general meeting;
- (x) to decide on the establishment of the Company's internal management structure;
- (xi) to decide on the establishment of the Special Committee of the Board, to appoint or dismiss the chairman of the special committee of the Board;
- (xii) to appoint or dismiss the Company's General Manager and the Board secretary of the Company; pursuant to the General Manager's nominations to appoint or dismiss vice General Manager and chief accountant of the Company and to decide on their remuneration;

- (xiii) to formulate the Company's basic management system;
- (xiv) to formulate plans for the amendment to the Articles of Association;
- (xv) to formulate the Company's share incentive scheme;
- (xvi) to deal with disclosures of information of the Company;
- (xvii) to propose to the shareholders' general meetings the appointment or replacement of the auditor of the Company;
- (xviii) to receive work reports submitted by the Company's General Manager, and to review the work of the General Manager;
- (xix) to appoint or replace any Directors and Supervisors representing shareholders of the wholly owned subsidiaries of the Company, and to nominate shareholders' representatives, directors (candidates) and supervisors representing shareholders (candidates) of controlling and holding subsidiaries; to nominate candidates for senior management officers of wholly-owned subsidiaries or subsidiaries in which the Company is a majority shareholder;
- (xx) to approve provision of guarantee to a third party which does not require the approval of shareholders at a general meeting in accordance with the Articles of Association;
- (xxi) to exercise other functions and powers conferred by laws, administrative regulations, department provisions, the listing rules of the stock exchange on which the shares of the Company are listed, the Articles of Association and the shareholders' general meetings.

In case that the listing rules of the stock exchange on which the shares of the Company are listed provide that any of the matters within the above mentioned functions and powers of the Board, or any transaction or arrangement of the Company require the approval of the shareholders' general meeting, then such matter shall be submitted to the shareholders' general meeting for approval.

Resolutions relating to the above, with the exception of Item (vi), (vii) and (xiv) above which shall require the consent of more than two thirds of the Directors, shall require the consent of more than half of the Directors.

Meetings of the Board shall be held regularly at least twice each year and shall be convened by the Chairman of the Board of directors. A quorum will be formed by more than half of the Directors attending a Board meeting except where the Board is considering a connected transaction in accordance with the Articles of Association.

In the event that a Director is connected to companies associated with matters to be resolved at the Board meeting, such Director shall not exercise his/her voting rights on such resolution, nor shall he/she votes on behalf of other Directors. The Board meeting may be convened with of the attendance of more than half of the Directors without such connected

relationship. Resolutions shall be approved by more than half of the Directors without such connected relationship at the Board meeting. When there is less than three Directors without connected relationship present at the Board meeting, such matters shall be submitted to the shareholders' general meeting for consideration.

Meetings of the Board of directors shall be attended by the directors in person. If a director for any reason is unable to attend the meeting, he may appoint another director in writing to attend the meeting on his behalf, and the power of attorney shall specify the scope of authorization. Directors attending board meetings on behalf of other directors shall exercise their powers 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 or she fails to attend two consecutive Board meetings in person and fails to appoint another Director to attend Board meetings on his behalf either. The Board shall propose at the shareholders' general meeting for the removal of such Director.

When voting on a resolution of the Board of directors, each member shall have one vote. Where the number of votes cast for and against a resolution is equal, the Chairman shall have the right to cast an additional vote.

**(f) Independent Directors**

Members of the Board of the Company shall include at least one-third or more of the independent Directors, and the number of independent directors shall not be less than three.

**(g) Secretary of the Board of directors**

The Company shall have a secretary of the Board of directors. The secretary of the Board shall be a natural person who has the requisite professional knowledge and experience, and shall be appointed by the Board.

**(h) Supervisory board**

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

The supervisory board shall be composed of the shareholders' representatives and the representatives of the Company's staff and workers. The shareholders' representatives shall be elected and removed by the shareholders' general meeting. The ratio of the staff and workers' representatives in the supervisory board shall not be lower than one-third, and the representatives of the Company's staff and workers shall be democratically elected and removed by the Company's staff and workers.

Meetings of the supervisory board may be held only if attended by more than half of the supervisors. Decisions of the supervisory board shall be made by the affirmative vote of two thirds or more of the Supervisors.

The terms of office of Supervisors shall be three years, renewable upon re-election.

The Directors, the senior management officers of the 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 examine the Company's financial affairs;
- (ii) to supervise the Directors and senior management officers in their performance of duties and to propose the removal of Directors and senior management officers who have contravened any law, administrative regulations, the Articles of Association or shareholders' resolutions;
- (iii) to demand any Director, the senior management officer of the Company who acts in a manner which is harmful to the Company's interests to rectify such behavior;
- (iv) to inspect financial information such as financial reports, business reports and profit distribution plans and, in case doubt, professionals such as registered accountants and certified auditors may be hired to provide assistance in the name of the Company.
- (v) to propose to convene a shareholders' extraordinary general meeting, and to convene and preside over shareholders' general meetings when the Board fails to perform the duty of convening and presiding over the general meeting;
- (vi) to advance proposals at a shareholders' general meeting;
- (vii) to propose to convene an extraordinary meeting of the Board of directors;
- (viii) to institute a suit to the Directors or senior management officers of the Company pursuant to the Company law;
- (ix) to conduct investigation into any irregularities in the Company's operations identified; if necessary, professionals such as accounting firms and law firms may be hired to provide assistance at the expense of the Company, and
- (x) other functions and powers conferred the Articles of Association.

Supervisors may attend meetings of the Board of directors and may make inquiries or suggestions to the matters to be resolved by the Board of directors.

**(i) General Manager**

The Company shall have one General Manager, who shall be appointed and dismissed by the Board. The General Manager shall be accountable to the Board and exercise the following functions and powers:

- (i) to be in charge of the Company's production, operation and management and report to the Board;



- (ii) to organize the implementation of the resolutions of the Board;
- (iii) to organize the implementation of the Company's annual business plan, investment and funding plan;
- (iv) to draft plans for the establishment of the Company's internal management structure;
- (v) to draft the Company's basic management system;
- (vi) to formulate detailed rules and regulations of the Company;
- (vii) to propose to the Board the appointment or dismissal of the Company's vice General Manager and Chief Accountant;
- (viii) to appoint and dismiss management personnel other than those required to be appointed or dismissed by the Board;
- (ix) other functions and powers conferred by the Articles of Association and the Board.

**(j) Common Reserve Fund**

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

Where the statutory common reserve fund of the Company is insufficient to make up for the losses of the 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 the Company from its after-tax profits, the 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 profits shall be distributed to the shareholders in proportion to their respective shareholdings, except when 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 paragraphs, distributed profits to the shareholders before the 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 the company.

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

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

**(k) Settlement of Disputes**

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

- (i) For any disputes or claims related to matters of the Company 1) the Company and its Directors or senior management officers; and 2) between shareholders of overseas listed shares and the Company; between shareholders of overseas listed shares and the Directors, Supervisors, the General Manager or other senior management officers of the Company; between shareholders of overseas listed shares and shareholders of domestic invested shares, that arise based on the rights and liabilities stipulated in the Articles of Association, the Company Law and other relevant laws and administrative regulations, any such disputes or claims shall be referred by the relevant parties to arbitration.
- (ii) Where a dispute or claim as described above is submitted for arbitration, such dispute or claim shall be in its entirety, and all persons (being the Company or shareholders, Directors, Supervisors, the General Manager or other senior management officers of the Company) who have a cause of action based on the same facts giving rise to the dispute or claim or whose participation is necessary for the resolution of such dispute or claim, shall abide by arbitration.
- (iii) Disputes regarding definition of shareholders and the register of members shall not be required to be settled by means of arbitration.
- (iv) The claimant may refer the arbitration to either the China International Economic and Trade Arbitration Commission in accordance with its arbitration rules, and may also refer the arbitration to the Hong Kong International Arbitration Centre in accordance with its arbitration rules. Once a claimant refers a dispute or claim to arbitration, the other party must submit to the arbitral institution elected by the claimant.
- (v) If the claimant refers the arbitration to the Hong Kong International Arbitration Centre, either party may request the arbitration to be conducted in Shenzhen in accordance with the securities arbitration rules of the Hong Kong International Arbitration Centre.
- (vi) Unless otherwise provided in the laws and administrative regulations, the laws of the PRC shall apply to the settlement by means of arbitration of disputes or claims referred in Item (i) above, and
- (vii) The decision made by the arbitral institution shall be final and shall be binding on the parties.