

*(Note: This English translation of the Articles of Association of the Company is for reference only. In case of inconsistency between the Chinese versions of the Company's Articles of Association and this English translation, the original Chinese version shall prevail.)*

**LAUNCH TECH Company Limited**  
**(深圳市元征科技股份有限公司)**

**Articles of Association**

**The 11th day of August 2014**

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# **LAUNCH TECH Company Limited**

## **(深圳市元征科技股份有限公司)**

### **Articles of Association**

#### **Chapter 1 General Provisions**

Article 1 The company is a joint stock limited company (hereinafter referred to as the “Company”) incorporated pursuant to the Company Law of the People’s Republic of China (hereinafter referred to as the “Company Law”), the Special Regulations on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies Promulgated by the State Council (hereinafter referred to as the “Special Regulations”) and other relevant laws and standards of administrative regulations of China.

As approved by the document (Shen Fu Letter No. [2000]89) of Shenzhen People’s Government, the Company was incorporated by way of promotion on 8 December 2000 and proceeded with the registration for alteration with Shenzhen Administration for Industry and Commerce on 19 January 2001 and obtained the business licence. Its current business licence number is 4403011054844.

Article 2 Registered Company Name: Chinese Name: 深圳市元征科技股份有限公司  
English name for reference: LAUNCH TECH Company Limited

Article 3 Residence: 2nd – 8th Floors, Xinyang Building, Bagua No.4 Road, Futian District, Shenzhen, People's Republic of China.  
Postal code: 518029, Tel: (86 755) 84528196, Fax: (86 755) 84528166.

Article 4 Chairman of the Board of directors is the legal representative of the Company.

Article 5 The Company is a perpetual foreign investment joint stock limited company.

Article 6 After the registration formalities were completed with the relevant Administration for Industry and Commerce, the original articles of association had taken effect since the date of incorporation of the Company. These Articles of Association, having been adopted by way of a special resolution passed in the general meeting of shareholders of the Company

and approved by the relevant authority of China, shall take effect from the date of listing of foreign capital shares (H shares) overseas on the main board of The Stock Exchange of Hong Kong Limited (hereinafter referred to as the “Stock Exchange of Hong Kong”). Upon taking effect, the Articles of Association shall supersede the existing articles of association.

Starting from its effective date, these Articles of Association shall become the document legally binding on the standardization of the organization and conduct of the Company, and the rights and obligations between the Company and its shareholders, as well as among the shareholders.

Article 7 The Articles of Association shall be binding on the Company and its shareholders, directors, supervisors, managers and other senior management. Based on the Articles of Association, the aforesaid personnel may raise claims for rights related to the matters of the Company.

Based on the Articles of Association, the shareholders may instigate litigation against the Company. Based on the Articles of Association, the Company may instigate litigation against the shareholders. Based on the Articles of Association, the shareholders may instigate litigation against the shareholders. Based on the Articles of Association, the shareholders may instigate litigation against the directors, supervisors, managers and other senior management of the Company.

Instigating litigation as mentioned in the preceding clause includes instigating litigation before the court or applying to the arbitration institution for arbitration.

Article 8 The Company may invest in other limited companies and joint stock limited companies, with its accountability limited to the capital contributed for the companies in which it invested.

The Company shall not become the shareholder with unlimited liability of other profit-making organizations.

Article 9 The whole of the Company's capital shall be divided into ordinary shares of equal value. The liability of the shareholders are limited to their individual shareholding. The debt accountability of the Company is limited to its entire assets. Subject to complying with the laws and administrative regulations in China, the Company is entitled to financing or borrowing, which include (but not limited to) issuing bonds and charging all or a part of its assets and business for the purpose of security or pledge, as well as other rights

permitted by the laws and administrative regulations in China. However, in exercising the said rights the Company shall not damage or repeal the rights of the shareholders of any classes.

Article 10 The Company is an independent legal person governed and protected by the laws and administrative regulations of the People's Republic of China.

## **Chapter 2 Business Objectives and Scope**

Article 11 The business objectives of the Company are: development of area of usage of computers development of leading edge technology, active research and development of new products based on computer technology and the strategy of "Utilization of areas of usage for hardware breakthrough and integration of systems for exit of software", and promotion of development of hi-tech for China's motor car business market.

Article 12 The business scope of the Company shall be subject to that approved by the company registration authority.

The business scope of the Company shall include: developing software related to diagnosis, testing, maintenance, and equipment preservation for motor cars, production and sale and such software, R & D, production and sale of motor car electronic products, information network servicing (excluding franchised commercial products and restricted items) and export and import business specified under (Class certificate for export/import business) Letter No.17 of Shenzhen Trade Regulation Registration Certificate.

Upon approval by relevant government authorities and approval of the shareholders of the Company by Resolution in General Meeting of the Company, the Company may timely adjust the investment policy, as well as the business scope and means, based on the domestic and international market trend, the development requirements for domestic business, the capability of self-development and the business requirements of the Company, and set up branches and offices (whether wholly owned or not) in the domestic and foreign territories as well as Hong Kong, Macau and Taiwan.

### **Chapter 3 Shares and Registered Capital**

Article 13 The Company shall have ordinary shares at any time, and, after having been approved by the company approval department authorized by the State Council, may have other classes of shares as required by the Company.

Article 14 The shares of the Company are issued at the par value of RMB1 each.

Article 15 With the approval granted by the securities authority of the State Council, the Company may issue shares to both domestic and overseas investors.

The term overseas investors mentioned in the preceding clause refer to the investors from foreign territories, Hong Kong, Macau and Taiwan who subscribe for the shares issued by the Company whereas the term domestic investors refer to the investors in the People's Republic of China, other than those from the territories mentioned above, who subscribe for the shares issued by the Company.

Article 16 The shares issued by the Company for subscription in Renminbi by the domestic investors shall be referred to as the domestic capital shares. The shares issued by the Company for subscription in foreign currency by the overseas investors shall be referred to as the foreign capital shares. The foreign capital shares listed overseas shall be listed at the main board of the Hong Kong Stock Exchange.

The domestic capital shares issued by the Company having been approved by the Shareholders in general meeting of the Company and by the relevant Government authority may be listed on the Stock Exchange(s) in China whereas foreign capital shares listed outside China may be listed in the main board of the Hong Kong Stock Exchange.

Article 17 Having been approved by the approving authority authorised by the State Council, a total of 83,000,000 ordinary shares of RMB1 each were issued when the Company was incorporated. 100% of the said ordinary shares of the Company were held by the promoters of the Company.

Article 18 Having been approved by the China Securities Monitoring and Merging Committee the Company has issued 27,360,000 ordinary shares after its incorporation all of which are overseas listed foreign capital shares, representing 45.32% of the Company's Authorised Capital (ordinary shares) at incorporation the par value of each share is RMB1.00 after approval by the governing department of the State Council the par value of each share is subdivided to RMB0.10 and later consolidated to RMB1.00.

Having been approved by the shareholders of the Company at the annual general meeting and class meeting on 16 June 2014, the Company has converted the retained profits and common reserves of the Company totaling RMB241,440,000 into paid-up capital and issued 241,440,000 bonus shares of the Company. Following the issuance of bonus shares, the issued share capital of the Company will be 301,800,000 Shares, in which 145,380,500 Shares are held by the domestic shareholders of the Company, representing 48.17% of the issued share capital of the Company, the present equity structure of the Company representing 301,800,000 ordinary shares is as follows: -

- (1) Shareholders of domestic capital shares together hold 145,380,500 shares representing 48.17% of the Company's issued share capital. Liu Xin holds 66,000,000 shares representing 21.87% of the Company's issued share capital. Shenzhen Langgu Technology Development Company Limited holds 69,432,000 shares, representing 23.01% of the Company's issued share capital. Shenzhen De Shi Yu Investment Company Limited holds 5,130,500 shares representing 1.70% of the Company's issued share capital. Wang Xue Zhi holds 4,818,000 shares, representing 1.60% of the Company's issued share capital.
- (2) Shareholders of foreign capital shares not listed on stock exchange together hold 19,619,500 shares representing 6.5% of the Company's issued share capital, of which: SPX Flow Technology Hong Kong Limited holds 8,233,500 shares representing 2.73% of the Company's issued share capital China Special Situations Holdings (1)(BVI) Limited holds 1,386,000 shares representing 0.46% of the Company's issued share capital China Special Situations Holdings (2)(BVI) Limited holds 10,000,000 shares representing 3.31% of the Company's issued share capital.
- (3) Shareholders of foreign capital shares listed outside China together hold 136,800,000 shares representing 45.33% of the Company's issued share capital.

Article 19 Under the plan of the Company which has been approved by the securities authority of the State Council for issuing foreign capital shares listed overseas and the domestic capital shares, the Board of Directors of the Company is authorized to implement the arrangement for separate issues.

Within 15 months from the date of approval by the China Securities Regulatory Commission, the Company is authorized to implement separately according to the plan of issuing foreign capital shares listed overseas and the plan of issuing domestic capital shares separately as provided in the preceding clause.



- Article 20 Within the total number of shares confirmed in the issue plan of the Company, the required capital shall be fully raised in one issue for the overseas listed foreign capital shares and the domestic capital shares separately. In the event of failure to fully raise the required capital in one issue under exceptional circumstances, several issues are also permitted upon approval by the China Securities Regulatory Commission.
- Article 21 The registered capital of the Company shall be RMB301,800,000.
- Article 22 Based on the requirements for operation and development, the Company may approve the capital increase according to relevant stipulations of these Articles of Association. The Company may increase capital by way of the following:
- (1) by issuing new shares to non-specified investors to raise fund;
  - (2) by issuing new shares to existing shareholders by means of placement;
  - (3) by distributing new shares to existing shareholders;
  - (4) by other means permitted by the laws and administrative regulations.
- After issuing new shares to increase the capital of the Company as approved by the Articles of Association, the Company shall proceed with the formalities according to the procedure required by the relevant laws and administrative regulations in China as well as the registration of alteration with the company registration authority, and make the relevant announcement.
- Article 23 Except when required otherwise by the laws and administrative regulations, the shares of the Company may be transferred freely without any lien attached.
- Article 24 Upon transfer of the shares of the Company, the name of the transferee shall be recorded in the share register and become the shareholder of such shares.
- Article 25 As stipulated by Article 43 of these Articles of Association, the issue or transfer of all overseas listed foreign capital shares which are listed on the Stock Exchange of Hong Kong shall be recorded in the share register for overseas listed foreign capital shares of the Company placed in Hong Kong.

Article 26 Any shareholders of overseas listed foreign capital shares which are listed on the Stock Exchange of Hong Kong shall make use of the common written transfer documents prevailing in Hong Kong or any other written transfer instrument accepted by the Board of Directors of the Company to transfer all or a part of the shares held. The transfer documents shall be signed by the transferor and the transferee or by means of machine printed signature.

Article 27 The Company shall ensure that the share certificates of all overseas listed foreign capital shares contain the following terms, and instruct or procure its share registrar to refuse to register any persons as the shareholder of the subscribed, purchased or transferred shares of the Company unless and until the said person has presented to the share registrar the letter of transfer related to such shares duly signed and the share certificate sample attached with the following terms or terms of similar meaning agreed by the Board of Directors:

- (1) The purchaser gives consent to the Company and the shareholders of the Company, and the Company also gives consent to its shareholders to observe and comply with the Company Law and other relevant laws, administrative regulations and the Articles of Association;
- (2) The purchaser gives consent to the Company, and the shareholders, directors, supervisors and officers of the Company, and the Company representing itself and its shareholders, directors, supervisors and officers gives consent to its shareholders to proceed with the arbitration according to the Articles of Association for all disputes and claims arising from the Articles of Association, or the disputes and claims arising from any rights or obligations attached to or required by the Company Law, and other relevant laws and administrative regulations, and to proceed with the arbitration and the purchaser shall be deemed as having authorized the arbitration tribunal to proceed with open hearing and announce the outcome to the public, and the award of arbitration shall be final;
- (3) The purchaser and the Company and the shareholders of the Company give consent that the shares of the Company shall be freely transferrable by the shareholders.

## **Chapter 4 Capital Reduction and Share Repurchase**

Article 28 As prescribed by the Articles of Association, the Company may decrease its registered capital.

Article 29 For the purpose of decreasing its registered capital, the Company shall compile the balance sheet and the property inventory.

The Company shall inform the creditors within ten days from the date of adopting the resolution of reducing the registered capital and publish the announcement at least three times in the newspaper within thirty days. The creditors shall, within thirty days from the date of receiving the notice, and those having not received the notice shall, within ninety days from the date of the first announcement, be entitled to request the Company to reimburse the debts or provide corresponding guarantee for reimbursement of the debts.

The registered capital of the Company shall not be less than the minimum authorized capital after the capital reduction.

Article 30 Under the following circumstances, the Company shall, by way of the procedure prescribed by the Articles of Association, report to the relevant authority in China for approval to repurchase its shares in issue:

- (1) Share cancellation for the purpose of reducing the capital of the Company;
- (2) Merger with the other company holding the shares of the Company;
- (3) Other circumstances permitted by the laws or administrative regulations.

Article 31 The Company may, with the approval of the relevant authorities in China for repurchasing its shares, conduct the repurchase in one of the following ways:

- (1) The pro rata general offer of repurchase to all of its shareholders;
- (2) Share repurchase through public dealing on the stock exchange;

(3) Repurchase by agreement other than on the stock exchange.

Article 32 In respect of the Company's entitlement to repurchase the redeemable shares of the Company:

- (1) If the shares are repurchased neither in the market nor by tender, the price shall not exceed a maximum amount;
- (2) In case of repurchase by tender, the same tender shall be proposed to all the shareholders.

Article 33 For share repurchase by way of agreement other than via the stock exchange, the Company shall obtain the approval in the general meeting of shareholders as prescribed by the Articles of Association in advance. Having been approved in the general meeting of shareholders in the same manner, the Company may discharge or alter the contract already concluded by the foregoing means, or waive any of its rights in the contract.

The contract for share repurchase mentioned in the preceding clause shall include (but not limited to) the agreement of giving consent to undertake the obligation of share repurchase and obtain the right of share repurchase.

The Company shall not transfer the contract for repurchasing its shares or any of the rights prescribed by the contract.

Article 34 After the repurchase of shares by the Company according to the laws, the Company shall cancel the shares repurchased within the period prescribed by laws and administrative regulations and shall apply to the original company registration authority for registration of alteration of its registered capital.

The total par value of the cancelled shares shall be deducted from the registered share capital of the Company. After completion of reduction of capital and registration of alteration of its registered capital the Company shall publicly announce the same.

Article 35 Unless the Company is in the course of liquidation, it shall comply with the following provisions in relation to the repurchase of its shares in issue:

- (1) Where the Company repurchases shares at par value, the payment shall be made out of the book surplus on the distributable profits of the Company or out of the proceeds of the new shares issued for such purpose;
- (2) Where the Company repurchases its shares at a premium to its par value, the

payment up to the par value may be made out of the book surplus on the distributable profits of the Company or out of the proceeds of the new shares issued for such purpose. The payment for the portion in excess of the par value shall be effected as follows:

1. Where the shares being repurchased were issued at par value, the payment shall be made out of the book surplus on the distributable profits of the Company;
  2. Where the shares being repurchased were issued at a premium to its par value, the payment shall be made out of the book surplus on the distributable profits of the Company or out of the proceeds of the new shares issued for such purpose, provided that the amount paid out of the proceeds of the new issue shall not exceed the total amount of premium received by the Company on the issue of the shares repurchased nor shall it exceed the book value of the capital reserve account (including the premium on the new issue) of the Company at the time of the repurchase;
- (3) The Company shall make the following payment out of the distributable profits of the Company:
1. For the acquisition of the right to repurchase its shares;
  2. For the alteration of the contract for the repurchase of its shares;
  3. For the release of its obligations under the contract for the repurchase;
- (4) After the total par value of the cancelled shares has been deducted from the registered capital of the Company in accordance with relevant provisions, the amount deducted from the distributable profits of the Company for the payment of the par value of shares repurchased shall be accounted for in the capital reserve account of the Company.

## **Chapter 5 Financial Assistance for the Purchase of Company Shares**

Article 36 The Company or its subsidiary shall not, at any time, provide any form of financial assistance to a person who is purchasing or proposes to purchase the shares of the Company. The term purchaser of the shares of the Company shall include the person who assumes obligations directly or indirectly as a result of purchasing the shares of the Company.

The Company or its subsidiaries shall not, at any time, provide any form of financial assistance to the foregoing obligor for the purpose of reducing or discharging his obligations.

This article shall not apply to the circumstances mentioned in Article 38 of this chapter.

Article 37 The financial assistance mentioned in this chapter shall include (but not limited to) the following means:

- (1) The gift;
- (2) The guarantee (including the assumption of liability or the provision of assets by the guarantor to secure the performance of obligations by the obligor), compensation (other than the compensation caused by its own default of the Company), or release or waiver of any rights;
- (3) The provision of loan or entering into any contracts under which the obligations of the Company shall be fulfilled before the obligations of the other party, as well as the change of the parties to, or the assignment of rights under such loan or contract;
- (4) Any other form of financial assistance provided by the Company in the event of insolvency, having no net assets or being likely to cause its net assets to be reduced significantly.

The assumption of obligations mentioned in this chapter shall include the assumption of obligations by the obligor resulting from entering into a contract or making an arrangement (no matter whether the contract or the arrangement is enforceable, and whether assumed independently by the obligor or jointly with others) or from the change of the obligor's financial position by any other means.

Article 38 The following actions shall not be deemed to be prohibited by Article 36 of this chapter:

- (1) The financial assistance is provided by the Company in good faith in the interests of the Company, and the principal purpose of which is not for purchasing the shares of the Company, or the said financial assistance is an incidental part of a general plan of the Company;
- (2) The lawful distribution of the assets of the Company by way of dividend;
- (3) The distribution of share dividends in the form of shares;

- (4) The reduction of registered capital, repurchase of shares or reorganization of the equity structure of the Company effected in accordance with the Articles of Association;
- (5) The provision of loans by the Company within its scope of operation for its ordinary business activities (provided that the net assets of the Company are not thereby reduced or, to the extent that the assets are thereby reduced, the said financial assistance is provided out of the distributable profits);
- (6) The contribution made by the Company to the employee share ownership plan (provided that the net assets of the Company are not thereby reduced or, to the extent that the assets are thereby reduced, the said financial assistance is provided out of the distributable profits).

## **Chapter 6 Share Certificates and Share Register**

Article 39      The share certificates of the Company shall be issued in the name of shareholder and is evidence that the named shareholder is the holder of the related shares.

The share certificates of the Company shall include all matters which shall be set out as required by the Company Law and Special Regulations; and other matters which shall be set out as required by the stock exchange(s) on which the shares are listed.

Article 40      Share certificates of the Company shall be signed by its Chairman. Where the signatures of other senior officers of the Company are required by the stock exchange(s) on which the shares of the Company are listed, the share certificates shall also be signed by such other senior officers. The share certificate shall take effect upon affixing the securities seal of the Company thereon. The affixture of the seal of the Company on the share certificate shall be authorized by the Board of Directors. The signatures of Chairman or other relevant senior officers of the Company appearing on the share certificates may also be printed.

Article 41      The Company shall keep a share register to contain the following particulars:

- (1) The name, address (residence) and occupation or nature of each shareholder;
- (2) The class and quantity of shares held by each shareholder;
- (3) The amount paid or payable in respect of the shares held by each shareholder;

- (4) The share certificate numbers of the shares held by each shareholder;
- (5) The date on which each shareholder was registered as a shareholder;
- (6) The date on which each shareholder ceased to be the shareholder.

The share register shall be sufficient evidence of the shareholders' shareholding in the Company, unless there is evidence to the contrary.

Article 42 The Company may, pursuant to any understanding or agreement reached between the securities regulatory authority under the State Council and the overseas securities regulatory authority, keep the share register of the overseas listed foreign capital shares outside China, and entrust its administration to an overseas agency. Such original share register of overseas listed foreign capital shares listed on the Stock Exchange of Hong Kong shall be kept in Hong Kong, with its administration entrusted to an agency in Hong Kong.

The Company shall keep a copy of the share register of the overseas listed foreign capital shares at the residence of the Company; the entrusted overseas agency shall ensure that the original and copies of the share register of the overseas listed foreign capital shares are consistent at all times.

Where the original and copies of the register of overseas listed foreign capital shares shareholders are not consistent, the original shall prevail.

Article 43 The Company shall keep a complete share register.

The share register shall include the following counterparts:

- (1) The share register kept at the residence of the Company, other than the counterparts required in Item (2) and (3) of this Article;
- (2) The share register of the overseas listed foreign capital shares of the Company kept at the place of the stock exchange(s) on which the shares are listed;
- (3) The share register kept in such other place decided by the Board of Directors as required for listing purpose.



Article 44 All counterparts of the share register shall not be duplicated. No transfer of shares registered in any counterpart of the share register shall, during the period of registration be registered in any other counterpart of the share register. The alteration and rectification of each counterpart of the share register shall be conducted in accordance with the laws of the place where it is kept.

Article 45 All paid-up overseas listed foreign capital shares listed on the Stock Exchange of Hong Kong shall be freely transferable in accordance with the Articles of Association in common form of instrument of transfer or any other forms acceptable to the Board of Directors. Such instrument of transfer may be signed personally or by printed signatures. The Standard form of instrument of transfer prescribed by the Stock Exchange of Hong Kong may be used. All documents of transfer shall be kept at the legal address of the Company or such address from time to time prescribed by the Board. All paid-up overseas listed foreign capital shares listed on the Stock Exchange of Hong Kong shall be freely transferable in accordance with the Articles of Association subject to the right of the Board of Directors to refuse recognition of any transfer instrument, without providing any reason for such refusal, unless the following conditions are satisfied.

- (1) Payment to the Company of a fee of HK\$2.50 for each transfer instrument, or such smaller amount as may be required by the Board of Directors from time to time (provided that such fee shall not exceed the maximum fee stipulated by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited from time to time) for the registration of any transfer instrument(s) and other document(s) related to the ownership of the shares in question or likely to affect the ownership of those shares;
- (2) The transfer instrument relates only to overseas listed foreign capital shares listed on the Stock Exchange of Hong Kong;
- (3) Payment of the stamp duty due from the transfer instrument;
- (4) Submission of the relevant share certificates and any other evidence reasonably required by the Board of Directors to prove the transferor's right to transfer the shares;
- (5) If the shares are proposed to be transferred to joint shareholders, the number of joint shareholders shall not exceed four (4);
- (6) The relevant shares are free from all liens of the Company.

No transfer of shares of the Company to infants, mentally all persons or other persons suffering from legal disability may be permitted. In the event of its refusal to register the transfer of shares, the Company shall provide the transferor and the transferee with a written notice for refusing to register the transfer of shares within two months from the date of submitting the formal application for the transfer.

Article 46 No alteration of the share register shall be effected arising from the transfer of shares thirty days prior to the date of the general meeting of shareholders or within five (5) days prior to the date set for the purpose of determining dividend entitlements.

Article 47 For the purposes of convening the general meeting of shareholders, distributing dividends, liquidation and engaging in other activities requiring the confirmation of shareholdings, the Board of Directors shall designate a day to be the date of confirming the shareholdings. Shareholders whose names appear on the share register at the end of that day shall be the shareholders of the Company.

Article 48 Any person who challenges the information set out in the share register and requests to have his (its) name entered in or removed from the share register, may apply to the competent court for rectification of the share register.

Article 49 Any person who is a registered shareholder on the share register or who requests to have his (its) name entered in the share register, may apply to the Company for a new share certificate in respect of such shares (i.e. the “relevant shares”) if his (its) share certificate (i.e. the “original share certificate”) has been lost. Unless the issuer of the share certificates verily believe that the original share certificates have been destroyed otherwise he shall not issue new share certificates to replace the lost share certificates.

In the event that the shareholders of domestic capital shares have lost their share certificates and applied for replacement, they shall be dealt with according to the provisions of Article 150 of the Company Law.

In the event that the shareholders of overseas listed foreign capital shares have lost their share certificates and applied for replacement, they may be dealt with according to the laws, stock exchange rules or other relevant requirements of the place where the original share register of overseas listed foreign capital shares is kept.

In the event that the shareholders of the overseas listed foreign capital shares listed on the Stock Exchange of Hong Kong apply for replacement of their lost share certificates, the

issue of their replacement share certificates shall comply with the following requirements:

- (1) The applicant shall submit the application in the prescribed form of the Company accompanied by the notarial certificate or the statutory declaration stating the grounds upon which the application is made, the circumstances for such loss and the evidence thereof, other details based on the actual situation as the grounds for justifying the application, and that no other person shall be entitled to enter his name on the share register in respect of the relevant shares.
- (2) Prior to the decision to issue the new placement share certificate, the Company has not received any statement from any persons other than the applicant for having his name registered as the shareholder of the relevant shares.
- (3) The Company shall publish the announcement of its intention to issue the new replacement share certificate in the newspapers as prescribed by the Board of Directors. The announcement shall, at least, be published repeatedly once every 30 days for a period of 90 days.
- (4) The Company shall, prior to publication of its announcement of its intention to issue the new replacement share certificate, deliver to the stock exchange on which the relevant shares are listed a copy of the announcement intending to be published. The announcement may be published immediately upon receiving the reply from the stock exchange confirming that the announcement has been displayed in its premises. Such announcement shall be displayed for a period of 90 days in the stock exchange. In the event of having such application made for replacing the share certificates without the consent of the registered shareholder of the relevant shares, the Company shall send to such registered shareholder by post a photocopy of the announcement intending to be published;
- (5) If, upon expiry of the term of 90-day as required by Item (3) and (4) of this Article, the Company has not received from any person any other claim to the contrary in respect of the replacement share certificate, the Company may issue immediately the replacement share certificate as requested by the applicant.
- (6) Where the Company issues the replacement share certificate under this Article, it shall forthwith cancel the original share certificate, enter such cancellation and such replacement in the share register accordingly.
- (7) All expenses related to the cancellation of the original share certificate and the

issue of the replacement share certificate by the Company shall be borne by the applicant. The Company shall be entitled to refuse to take any action until reasonable guarantee for such expenses is provided by the applicant.

- (8) The publication of announcement required under (3) of this Article shall include in one Chinese and one English newspaper in Hong Kong.

Article 50 Where the Company issues the replacement share certificate in accordance with the Articles of Association, the name of the bona fide purchaser who has been issued the foregoing new share certificate or the shareholder (in case of bona fide purchaser) who is subsequently registered as the owner of such shares, shall not be removed from the share register.

Article 51 The Company shall not be liable for any damages sustained by any person due to the cancellation of the original share certificate or the issue of the new replacement share certificate, unless the claimant proves that the Company has committed fraud.

## **Chapter 7 Rights and Obligations of Shareholders**

Article 52 A shareholder of the Company is a person who legally holds the shares of the Company and whose name has been recorded in the share register.

Shareholders shall enjoy rights and assume obligations according to the class and amount of shares held by them. Shareholders holding shares of the same class shall enjoy equal rights and assume same kind of obligations.

Article 53 Where two or more persons are the registered joint shareholders of any of the shares, they shall be deemed as the joint shareholders of the relevant shares.

- (1) However, it shall not be necessary for the Company to register more than four persons as the joint shareholders of any of the shares.
- (2) Joint shareholders are jointly and severally liable to pay the amount payable under the relevant shares.
- (3) In the case of joint shareholders, on the death of any one of such joint shareholders, the survivor(s) shall be the only person or persons recognized by the Company as having the ownership of any such shares, but the Board of Directors may require such evidence of death as it may deem fit for the purpose of making amendments to

the particulars in the share register.

- (4) Only the person whose name stands first in the share register as one of the joint shareholders of any share shall be entitled to the delivery of the certificate related to such share, to receive notices from the Company, to attend and exercise the voting right attached to such share at the general meetings of the Company, and any notice given to such person shall be deemed to have delivered the notice to all the joint shareholders.

Article 54 Shareholders of the ordinary shares of the Company shall be entitled to the following rights:

- (1) To collect dividends and other forms of benefit distribution according to the number of shares held by them;
- (2) To attend or appoint proxies to attend the general meeting of shareholders and exercise voting rights;
- (3) To supervise the management of the business operation of the Company and make recommendations or enquiries;
- (4) To transfer shares in accordance with the provisions of laws, administrative regulations and the Articles of Association;
- (5) To obtain relevant information in accordance with the provisions of the Articles of Association, which shall include:
  - (i) The right to obtain a copy of the Articles of Association upon payment of a charge to cover costs;
  - (ii) The right to inspect and copy after payment of reasonable fees:
    1. All counterparts of the share register;
    2. Personal particulars of Directors, Supervisors, managers and other senior officers including:
      - (a) Present and former name and alias;
      - (b) Principal address (residence);
      - (c) Nationality;

- (d) Full-time and all other part-time occupations and duties;
  - (e) Identity documents and their numbers.
3. Status of the share capital of the Company;
  4. Reports showing the aggregate par value, the number and the highest and lowest price paid for the shares repurchased in respect of each class of shares of the Company since the previous financial year, and all the expenses paid by the Company in this aspect;
  5. Minutes of the general meeting of shareholders.
- (6) Upon termination or liquidation of the Company, the right to participation in the distribution of the remaining assets of the Company in proportion to the shares held by them;
- (7) Other rights conferred by the Articles of Association and relevant laws and administrative regulations.

The Company shall not exercise any rights to lock up or prejudice otherwise any rights attached to the shares held by any person owning direct or indirect interests, simply because such person has not disclosed his or her interests to the Company.

Article 55 Shareholders of the ordinary shares of the Company shall assume the following obligations:

- (1) To comply with the Articles of Association;
- (2) To pay the sum of subscription according to the number of shares subscribed by them and the method of share subscription;
- (3) To assume other obligations imposed by laws, administrative regulations and the Articles of Association.

A shareholder shall not be further liable to the share capital in any way other than those conditions agreed by the subscriber of the relevant shares on subscription.

Article 56 Apart from the obligations imposed by laws and administrative regulations, or required by the listing rules of the stock exchange(s) on which the shares of the Company are listed, the controlling shareholder shall not exercise his voting rights in a manner

damaging the interests of the shareholders in general or some of the shareholders of the Company, in respect of the following matters:

- (1) To relieve the obligation of any Director or Supervisor to act in the best interests of the Company in good faith;
- (2) To approve the expropriation in any form by a Director or Supervisor (for his own benefit or for the benefit of others) of the assets of the Company, including (but not limited to) any opportunities which are advantageous to the Company;
- (3) To approve the expropriation by a Director or Supervisor (for his own benefit or for the benefit of others) of the individual interests of other shareholders, including (but not limited to) any rights for distributions and voting rights, save and except the reorganization of the Company submitted to the general meeting of shareholders for approval in accordance with Articles of Association.

Article 57 As described in the preceding Article, the term controlling shareholder refers to a person under any one of the following conditions:

- (1) He alone or acting in concert with others is entitled to elect more than half of the members of the Board of Directors;
- (2) He alone or acting in concert with others is entitled to exercise, or control the exercise of, more than thirty per cent (including 30%) of the voting rights of the Company;
- (3) He alone or acting in concert with others holds more than thirty per cent (including 30%) of the outstanding shares of the Company;
- (4) He alone or acting in concert with others in any other way effectively controls the Company.

## **Chapter 8 General Meeting of Shareholders**

Article 58 The general meeting of shareholders is the organ of power of the Company, and shall exercise its functions and powers according to the laws.

Article 59 The general meeting of shareholders shall exercise the following functions and powers:

- (1) To decide on the business policies and investment plans of the Company;

- (2) To elect and replace Directors and to decide on matters related to the remuneration of Directors;
- (3) To elect and replace those Supervisors who shall be appointed from among the shareholders' representatives, and to decide on matters related to the remuneration of the Supervisors;
- (4) To consider and approve the reports of the Board of Directors;
- (5) To consider and approve reports of the Supervisory Committee;
- (6) To consider and approve the annual financial budget proposal and final accounts of the Company;
- (7) To consider and approve the proposal for profit distribution and proposal for making good the losses of the Company;
- (8) To resolve on the increase or reduction of the registered capital of the Company;
- (9) To resolve on matters such as merger, division, dissolution and liquidation of the Company;
- (10) To resolve on the issue of bonds by the Company;
- (11) To resolve on the appointment, removal or non-renewal of the accounting firm by the Company;
- (12) To amend the Articles of Association;
- (13) To consider and approve proposals submitted by the shareholders representing more than five percent (including 5%) of the voting shares of the Company;
- (14) Other matters which are required by the laws and administrative regulations and the Articles of Association to be resolved at the general meeting of shareholders.

Article 60 The Company shall not enter into any contract with any person other than the Director, the Supervisor, the general manager or other senior officers of the Company for handing over to such a person the management of the whole or the substantial part of the business of the Company without the prior approval of shareholders in the general meeting.

Article 61 The general meeting of shareholders shall be classified as the annual general meeting and the extraordinary general meeting. The Board of Directors shall convene the general



meeting of shareholders and decide on its date and venue. The annual general meeting shall be convened once a year, and shall take place within six months from the end of the previous fiscal year.

The Board of Directors shall convene the extraordinary general meeting within two months under one of the following circumstances:

- (1) Where the number of Directors is less than the number stipulated in the Company Law or is less than two-thirds of the number required by the Articles of Association;
- (2) Where the accrued losses of the Company amount to one-third of its total share capital;
- (3) Where shareholders holding more than ten per cent (including 10%) of the voting shares outstanding of the Company request in writing to convene an extraordinary general meeting;
- (4) Where the Board of Directors considers it necessary or the Supervisory Committee proposes to convene such a meeting;
- (5) Where the accounting firm engaged by the Company, requests to convene such a meeting pursuant to Article 173 of these Articles;
- (6) Where more than two independent Directors propose to convene such a meeting.

Article 62 Where the Company convenes the general meeting of shareholders, the written notice shall be given, forty-five days in advance, to inform all shareholders whose names appear in the share register of the matters proposed to be considered at the meeting and the date and venue of the meeting. Any shareholder intending to attend the general meeting of shareholders shall serve the Company, twenty days before the date of the meeting, with the written reply stating his intention to attend the meeting. Notice of general meeting of shareholders shall not be given more than 60 days before the date of the meeting.

When calculating the period of giving the notice, it shall not include the date of the meeting and the date of sending the notice.

Article 63 In respect of the annual general meeting convened by the Company, the shareholders holding more than five percent (including 5%) of the total voting shares of the Company are entitled to propose to the Company any new resolutions in writing, provided such

resolution shall be submitted to the Company at least seven days before convening the annual general meeting. The Company shall include, in the agenda of such meeting, those proposed matters which are within the terms of reference of the general meeting.

Article 64 Based on the written replies received twenty days before convening the general meeting of shareholders, the Company shall calculate the number of voting shares represented by the shareholders intending to attend the meeting. Where the number of voting shares represented by those shareholders intending to attend the meeting comprises more than half of the total voting shares of the Company, then, the Company may convene the general meeting of shareholders. If not, the Company shall, within five days, inform the shareholders again of the matters to be considered, as well as the date and the venue of the meeting by way of announcement in the newspaper. After making the announcement, the Company may convene the general meeting of shareholders.

An extraordinary general meeting shall not decide on matters which are not specified in the notice.

Article 65 To comply with the following requirements, the notice of the meeting of shareholders shall:

- (1) Be made in writing;
- (2) Specify the venue, date and time of the meeting;
- (3) State the matters to be discussed at the meeting;
- (4) Provide necessary information and explanation for the shareholders to make sensible decision on the matters to be discussed. This principle shall include (but not limited to) the provision of specific conditions and contract (if any) of the proposed transaction in contemplation, in the event of merger, share repurchase, restructuring share capital, or other reorganization initiated by the Company, and a due account of the cause and effect of such a proposal shall be given;
- (5) Disclose the nature and extent, if any, of the material interests of any Director, Supervisor, manager or other senior officers in the matters to be discussed; in the event that the impact of the matters to be discussed on such Director, Supervisor, manager or other senior officers in the capacity as the shareholder is different from the impact on the other shareholders of the same class, such difference shall be specified;

- (6) Contain the full text of any special resolution to be proposed at the meeting for approval;
- (7) Contain the express statement that a shareholder entitled to attend and vote is entitled to appoint one or more proxies to attend and vote on his behalf and that such a proxy need not be a shareholder;
- (8) Set out the date and venue for lodging a proxy form in respect of the meeting;

Article 66 The notice of a general meeting of shareholders shall be served on each shareholder whose name appears in the share register on the date of confirming the shareholders in respect of the meeting, (whether or not entitled to vote thereat), by personal delivery or prepaid mail to the shareholder at his address, as shown in the share register. For the shareholders of domestic capital shares, the notices of general meetings of shareholders may be given by way of announcement.

The announcement referred to in the preceding clause shall be published in one or more newspapers specified by the securities regulatory authority under the State Council within the period of forty-five to fifty days prior to the meeting. Once the announcement has been published, all shareholders of the domestic capital shares shall be deemed to have received notice of the relevant meeting of shareholders.

Article 67 Where the notice of a meeting is not delivered to, because of accidental omission, or the non-receipt of the notice of a meeting by any person entitled to receive the notice, it shall not invalidate the meeting and the resolutions passed at the meeting.

Article 68 Any shareholder entitled to attend and vote at a general meeting of shareholders of the Company shall be entitled to appoint one or more persons (who need not be a shareholder or shareholders) as his proxy (proxies) to attend and vote on his behalf. A proxy so appointed shall exercise the following rights as entrusted by that shareholder:

- (i) To have the right to speak at the general meeting of shareholders;
- (ii) To exercise the voting rights.

Where that shareholder is a recognized clearing house defined by the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) or its nominee, it may authorize such person or persons as it thinks fit to act as its representative (or representatives) at any general meeting of shareholders or any class meeting of shareholders, provided that if more than one person is so authorized, the power of

attorney shall set out the number and class of shares in respect of which each such person is so authorized. The person so authorized shall be entitled to exercise the same power on behalf of the recognized clearing house (or its nominees) as if such person is the individual shareholder of the Company.

Article 69 A shareholder shall appoint his proxy in writing under the hand of the shareholder or his attorney authorized in writing; in the event that the shareholder is a legal person, it shall be under the seal of the legal person or under the hand of its Director or duly authorized attorney or officer. The proxy form shall specify the number of shares which the proxy shall represent. In the event of appointing several proxies, the proxy form shall specify the number of shares which each of the proxies shall represent.

Article 70 The proxy form for appointing a proxy to vote shall be deposited at the residence of the Company or at some other place specified for that purpose in the notice for convening the meeting no later than twenty-four hours prior to the meeting at which the proxy is authorized to vote or twenty-four hours before the time specified for the voting. Where such a proxy form is signed by a person under power of attorney on behalf of the principal, that power of attorney or other authorization documents shall be notarized. The notarized power of attorney and other authorization documents shall, together with the proxy form appointing the proxy, be deposited at the residence of the Company or at some other place specified for that purpose in the notice for convening the meeting. In the event that the principal is a legal person, its legal representative or a person authorized by way of the resolution adopted by its Board of Directors or other decision-making body shall be entitled to attend a general meeting of shareholders of the Company on its behalf.

Article 71 Any kind of proxy form given to shareholders by the Board of Directors of the Company for appointing the proxy shall permit the shareholders to freely instruct the proxy separately to vote in favour of or against each resolution dealing with business to be transacted at the meeting. Such proxy form should contain a remark that in default of instructions by the shareholder, the proxy may vote as he thinks fit.

Article 72 A vote given in accordance with the terms of an proxy form shall remain valid notwithstanding the death or loss of capacity of the principal or revocation of the proxy or of the authorization under which the proxy was executed, or the transfer of relevant shares in respect of which the proxy is given, provided that no notice in writing of such death, loss of capacity, revocation or transfer shall have been received by the Company before the commencement of the relevant meeting at which the proxy is used.

Article 73 Resolutions of a general meeting of shareholders can either be ordinary resolutions or special resolutions.

An ordinary resolution of a general meeting of shareholders shall be passed by more than half of the total voting shares of the Company being held by the shareholders (including proxies) who are present at the meeting.

A special resolution of a general meeting of shareholders shall be passed by more than two-thirds of the total voting shares of the Company being held by the shareholders (including proxies) who are present at the meeting.

At the general meeting of shareholders, the chairman of the meeting shall propose separate resolutions in respect of each independent matter.

Article 74 The shareholder (including the proxy) shall exercise his voting right in accordance with his number of voting shares. Each share shall have one vote. However, voting at the meeting shall be subject to any privileges or restrictions in respect of any specific class of shares.

Article 75 The votes of the shareholders shall be taken by way of poll at the general meeting of shareholders.

Article 76 In the event the resolution proposed involves election of the chairman or termination of the meeting, the voting shall be made immediately by way of poll. As for the resolutions concerning other matters, the chairman shall decide when the voting shall be made, and may continue to proceed with the meeting and discuss other matters, whereas the outcome of such voting shall still be deemed to have passed the said resolution at the meeting. Outcome of voting shall be announced forthwith at the meeting.

Article 77 On a poll taken at a meeting, a shareholder (including his proxy) entitled to two or more votes need not cast all his votes in the same way.

Article 78 In the case of an equality of votes, the chairman of the meeting shall be entitled to an additional vote.

Article 79 The following matters shall be adopted by way of ordinary resolutions at the general meeting of shareholders:

- (1) The reports of the Board of Directors and the Supervisory Committee;

- (2) Profit distribution proposals and proposals for making good the losses prepared by the Board of Directors;
- (3) Dismissal, remuneration and method of payment for the service of the Board of directors and the Supervisory Committee;
- (4) The annual financial budget, the report on final accounts, the balance sheet, the income statement and other financial statements of the Company;
- (5) Matters other than those which are required by the laws, administrative regulations or the Articles of Association to be adopted by way of special resolutions.

Article 80 The following matters shall be resolved by way of special resolutions at the general meeting of shareholders;

- (1) The increase or decrease of the share capital and the issue of shares of any class, warrants and other similar securities by the Company;
- (2) The issue of bonds by the Company;
- (3) The division, merger, dissolution and liquidation of the Company;
- (4) The amendment of the Articles of Association of the Company;
- (5) Other matters which, according to the ordinary resolution adopted at the general meeting of shareholders, may have a significant impact on the Company and require adoption by way of the special resolution.

Article 81 Shareholders seeking to convene an extraordinary general meeting of shareholders or a class meeting of shareholders shall proceed in accordance with the following procedure:

- (1) Two or more shareholders holding more than one-tenth (including 10%) of the voting shares at the meeting proposed to be held may, by signing one written request or several counterparts of same stating the subject matter of the meeting, require the Board of Directors to convene an extraordinary general meeting of shareholders or a class meeting of shareholders. Upon receipt of the foregoing written request(s), the Board of Directors shall proceed to do so as soon as possible accordingly. The foregoing number of voting shares referred to shall be calculated as at the date of the delivery of the written request(s);
- (2) If the Board of Directors fails to issue a notice of convening such a meeting within

thirty days from the date of the receipt of the foregoing written request(s), the shareholders who have made the request may themselves convene such a meeting in a procedure as far as possible same as that of such meetings to be convened by the Board of Directors, within four months from the date of receipt of such request(s) by the board.

Any reasonable expenses incurred by the shareholders for convening and holding the meeting by reason of the failure of the Board of Directors to duly convene a meeting according to the foregoing request for holding the meeting shall be borne by the Company and shall be set off against any sums owed to the Directors in default by the Company.

Article 82 A general meeting of shareholders shall be convened by the Chairman of the Board of Directors who shall preside as chairman of the meeting. If the Chairman of the Board of Directors cannot attend the meeting for any reasons, the Chairman of the Board of Directors may designate a Director of the Company to convene and preside at the meeting as chairman on his behalf. If a chairman has not been designated, the shareholders attending the meeting may elect a person to act as the chairman. If for any reasons the shareholders cannot elect a chairman, the shareholder (including his proxy) holding the greatest number of voting shares present at the meeting shall act as the chairman.

Article 83 The chairman of a general meeting of shareholders shall be responsible for deciding whether or not a resolution has been adopted. His decision shall be final and shall be announced at the meeting and recorded in the minutes.

Article 84 Where the chairman of a general meeting of shareholders has doubt about the outcome of the resolution tabled for voting, he may count the number of votes casted. If no counting is made by the chairman of the meeting, any shareholder who queries the outcome as announced by the chairman shall have the right to demand a counting of the votes immediately. The chairman shall forthwith conduct a counting of the votes as demanded. Where the Company is aware that any shareholder must give up his right to vote or must vote for or against a resolution in accordance with the listing rules of the main board of the Hong Kong Stock Exchange, any votes cast in violation of the aforesaid rules or restriction shall not be counted.

Article 85 Where a counting of the votes has been conducted at a general meeting of shareholders, the outcome shall be recorded in the minutes.

The minutes together with the attendance record signed by those shareholders attending the meeting and the powers of attorney of those attending the meeting by their proxies shall be kept at the residence of the Company for a period of 10 years and shall not be destroyed before the expiry of the said period.

Article 86 Photocopies of the minutes shall be available for inspection during office hours of the Company by any shareholder without charge. Where a shareholder demands from the Company a photocopy of such minutes, the Company shall send a copy to the shareholder within seven days upon receiving a reasonable fee.

### **Chapter 9 Special Voting Procedures for Class Shareholders**

Article 87 Shareholders of various classes of shares are referred to as class shareholders.

Class shareholders shall enjoy the rights and assume the obligations in accordance with the laws, administrative regulations and the Articles of Association.

Article 88 Any proposal by the Company to vary or abrogate the rights conferred on any class shareholders shall be approved by a special resolution at the general meeting of shareholders and by the class shareholders affected at the separate meeting(s) convened in accordance with Articles 90 to 93, before implementation of such proposal accordingly.

Article 89 The rights of class shareholders shall be deemed to be varied or abrogated under the following circumstances:

- (1) The increase or decrease of the number of shares of such class, or the increase or decrease of the number of shares of a class entitled to voting rights or distribution rights or other privileges equivalent or superior to the shares of such class;
- (2) The conversion of all or a part of the shares of such class into shares of another class, or the conversion of all or a part of the shares of another class into the shares of such class or conferring such rights of conversion;
- (3) The removal or reduction of the rights to accrued dividends or cumulative dividends entitled to the shares of such class;
- (4) The reduction or removal of the right of having dividend preference or having liquidation preference in the property distribution entitled to the shares of such class;



- (5) The increase, removal or decrease of share conversion rights, options, voting rights, transfer rights or pre-emptive placement rights or rights to acquire securities of the Company entitled to the shares of such class;
- (6) The removal or decrease of the rights to receive the sums payable by the Company in particular currencies entitled to the shares of such class;
- (7) The creation of a new class of shares entitled to the voting rights or distribution rights or other privileges equivalent or superior to the shares of such class;
- (8) The imposition of restrictions or additional restrictions on the transfer or ownership of the shares of such class;
- (9) The issue of share subscription rights or share conversion right for the shares of such class or another class;
- (10) The increase of the rights or privileges of the shares of another class;
- (11) The proposed restructuring of the Company which will result in the shareholders of different classes bearing a disproportionate burden of such restructuring;
- (12) The variation or abrogation of the provisions of this chapter.

Article 90 Shareholders of the affected class, whether or not otherwise having the right to vote at general meetings of shareholders, shall have the right to vote at class meetings in respect of matters concerning Articles 89(2) to (8) and (11) to (12), but interested shareholder(s) shall not be entitled to vote at class meetings.

The term interested shareholder(s) mentioned in the preceding clause shall have the following meanings:

- (1) In the case of a repurchase by a general offer made to all shareholders in the same proportions or through the public offer on a stock exchange under Article 31 of the Articles of Association, an “Interested Shareholder” refers to a Controlling Shareholder defined by Article 57 of the Articles of Association;
- (2) In the case of a repurchase of shares under the agreement made other than on the stock exchange under Article 31 of the Articles of Association, an “Interested Shareholder” refers to a shareholder to which the agreement relates;
- (3) In the case of a proposed restructuring of the Company, an “Interested

Shareholder” refers to a shareholder within a class who bears less than a proportionate burden imposed on that class under the proposed restructuring or who has an interest in the proposed restructuring different from the interest of shareholders of that class.

Article 91 The resolutions of the class meeting of shareholders shall only be adopted by the shareholders attending the meeting with more than two-thirds of the voting shares according to Article 90.

Article 92 Where the Company convenes a class meeting of shareholders, it shall, issue written notices to notify the respective shareholders of that class whose names appear in the share register of the items proposed to be considered and the date and venue of the meeting forty-five days before that meeting. Shareholders intending to attend the class meeting shall send written replies to confirm their attendance and such replies shall be delivered to the Company twenty days before the meeting.

Where the number of voting shares represented by those shareholders intending to attend the meeting is more than half of the total number of voting shares of that class, the Company may convene the class meeting. If not, the Company shall, within five days, inform the shareholders again of the items proposed to be considered and the date and venue of the meeting by way of an announcement. After making such notification by way of announcement, the class meeting of shareholders may be convened by the Company.

The quorum formed by the holders holding at least one-third of any class of shares issued is required to convene the respective class meeting of shareholders (except the adjourned meeting) for the purpose of considering the amendment of the rights of that class of shares.

Article 93 Notices of class meetings need only be served on shareholders entitled to vote thereat. Meetings of any class of shareholders shall be held according to the procedure same as that of general meetings of shareholders as far as possible. The procedure in the Articles of Association related to general meetings of shareholders shall apply to any meeting of a class of shareholders.

Article 94 Apart from the shareholders of other classes of shares, the shareholders of domestic capital shares and overseas listed foreign capital shares are deemed to be shareholders of different classes. The special procedure of the voting by class shareholders shall not be applicable to the following circumstances:

- (1) Where the Company issues, either separately or concurrently, domestic capital shares and overseas listed foreign capital shares in numbers not exceeding twenty per cent of the number of issued domestic capital shares and issued overseas listed foreign capital shares respectively at the interval of every twelve months as approved by way of special resolution at a general meeting of shareholders; or
- (2) Where the plan of the Company for issuing domestic capital shares and overseas listed foreign capital shares upon its establishment is implemented within fifteen months from the date of approval by the China Securities Regulatory Commission.

## **Chapter 10 Board of Directors**

Article 95 The Company shall establish the Board of Directors. The Board of Directors shall comprise eight Directors, including four executive Directors (one of which shall be the Chairman), one non-executive Director and three independent non-executive Directors. The Board of Director shall have one Chairman.

The Directors may also be the Company Manager or other senior management officers. However not more than one half of the total number of Directors of the Company may be such Company Manager or other senior management officers.

Article 96 The first Board of Directors shall be nominated by the promoters of the Company and elected by the first general meeting and ensue office from the date the Directors were elected.

Article 97 The Directors shall be elected at the general meeting of shareholders and serve a term of three years. Upon expiry of the term, a Director shall be eligible for re-election and serving consecutive terms. Each of the Directors (including the Directors serving specified term) shall retire by rotation at least once every three years.

A notice in writing of the intention to propose a candidate for election as a Director and a notice in writing by that candidate of his willingness to be elected shall be given to the Company at least seven days in advance. The period of the delivery of the foregoing notices in writing shall be counted from the next day when a notice for the meeting on such election is sent by post and until the date not later than the end of the period of seven days prior to the date of holding the meeting.

The Chairman and the Vice-Chairman of the Board of Directors shall be elected and removed by more than half of all the Directors. The Chairman and the Vice-Chairman shall serve a term of three years, and may serve consecutive terms if re-elected.

Any person appointed by the Board of Directors to fill the casual vacancy or to take up the role of a new Director shall serve the term until the date of holding the next annual general meeting of shareholders. Such persons shall be eligible for re-election and may serve consecutive terms.

Subject to the provisions of relevant laws and administrative regulations, the general meeting of shareholders may remove any Director by special resolution prior to the expiry of the term of such Director (but without prejudice to any claim under any contract).

Directors are not required to hold shares in the Company.

Directors may take up the roles of the Company Manager or other senior management members of the Company other than the Supervisors concurrently.

Article 98 The Board of Directors shall be accountable to the general meeting of shareholders and shall exercise the following functions and powers:

- (1) To be responsible for convening general meetings of shareholders and to report on its work at the general meeting of shareholders;
- (2) To implement resolutions adopted at the general meeting of shareholders;
- (3) To decide on the operation plans and investment proposals of the Company;
- (4) To formulate the annual financial budget and final accounts of the Company;
- (5) To formulate the profit distribution proposals and proposals for making good the losses of the Company;
- (6) To formulate proposals for the increase or decrease of the registered capital of the Company and proposals for the issue of bonds of the Company;
- (7) To prepare the proposals for the merger, division or dissolution of the Company;
- (8) To decide on the establishment of the internal management organization of the Company;
- (9) To appoint or remove the manager of the Company, and based on the nomination of the manager, to appoint or remove the deputy manager and the chief financial officer of the Company and to decide on their remuneration;

- (10) To formulate the basic management system of the Company;
- (11) To formulate proposals for any amendment of the Articles of Association;
- (12) To formulate plan(s) for important acquisitions or sales;
- (13) Subject to the Company Law, administrative regulations and the relevant provisions of these Articles, to exercise the Company right to raise fund and borrows and to decide the charge, leasing, fraclising or transfer of important assets of the Company and to authorize the general manager to exercise the said powers within certain limits; and
- (14) Other functions and powers as conferred in the general meeting of shareholder or the Articles of Association.

Apart from item (6), (7), (11) and (12) which require the affirmative vote of more than two-thirds of the Directors, resolutions on any other items may be approved by more than half of the Directors for the resolutions made by the Board of Directors in the preceding clause.

The powers of the Board is subject to resolutions of the general meeting, the provisions of these Articles and the resolutions of general meeting from time to time. However, any resolutions of general meeting will not invalidation any valid acts of the Directors before such resolution is passed. Any resolutions of the Board of Directors relating to transactions shall be signed by independent Directors in order to be valid.

The duties of the non-executive directors shall include but not limited to the following:

- (1) To participate in the Board meetings of the Company, and provide independent opinions regarding strategies, policies, performance of the Company, accountability, resources, major appointments and the code of practice;
- (2) To take the lead in guidance in the event of potential conflict of interests;
- (3) To be the member of the audit committee, the remuneration and review committee and other governing committees upon invitation; and
- (4) To scrutinize the performance of the Company to see whether it has fulfilled the established corporate goals and purposes and monitor and report on the performance of the Company.

Article 99 Where there is a disposal of fixed assets by the Board of Directors and the aggregate of

the expected value of the consideration for the proposed disposal and the value of the consideration for any disposition of fixed assets made in the four months immediately preceding the proposed disposition exceeds thirty-three per cent of the value of the fixed assets as shown in the latest balance sheet placed before the shareholders in the general meeting of shareholder, the Board of Directors shall not dispose or agree to dispose of the fixed assets without the prior approval at the general meeting of shareholders.

In this Article, disposal of fixed assets shall include an act involving transfer of an interest in property other than the provision of security by fixed assets.

The validity of a disposal of fixed assets by the Company shall not be affected by a breach of the first clause of this Article.

Article 100 The chairman of the Board of Directors shall exercise the following functions and powers:

- (1) To preside at general meetings of shareholders and to convene and preside at meetings of the Board of Directors;
- (2) To examine the implementation of resolutions of the Board of Directors;
- (3) To sign securities issued by the Company;
- (4) To sign other important document(s) of the Company or by power of attorney authorize one or more Directors to sign other important documents of the Company;
- (5) Other functions and powers conferred by the Board of Directors.

In the event that the Chairman is unable to perform his functions and power, the Chairman may designate the Vice-Chairman to perform same on his behalf.

Article 101 Board meetings shall be held regularly at least four times every year. A Board meeting shall be convened by the Chairman of the Board of Directors and a relevant notice shall be given to all Directors fourteen days before the meeting date. In case of urgent matters, an extraordinary Board meeting may be proposed by more than one third of the Directors, or the manager of the Company.

The abovementioned regular Board meetings shall not include approval obtained from the Board of Directors by way of circulating written resolutions to be passed.

Article 102 The method and time required for giving the notice to convene the meeting by the Board of Directors are as follows:

In the event that the Board of Directors has stipulated in advance the date and place of the regular Board meeting, it shall not require the issue of notices to convene the meeting.

In the event that the Board of Directors has not stipulated in advance the date and place of the Board meeting, the Chairman shall through the Company Secretary inform the Directors and the Chairman of the Supervisory Committee at least fourteen days and at most thirty days in advance by sending a notice by means of telex, cable, facsimile, speed post or registered mail or courier.

The notice shall be in Chinese and its English version may be attached if necessary and shall include the agenda and relevant documents for the meeting.

For urgent matters requiring the decision-making of the Board of Directors, the Chairman shall instruct the Company Secretary to inform all Directors and the Chairman of the Supervisory Committee not less 2 days and not more than 10 days before the Board meeting the date, venue and mode by means of facsimile, telex or courier.

If a director having attended the meeting and has not raised objection for non-receipt of notice in advance before or during the meeting, he shall be deemed to have received the notice of the meeting.

The regular or extraordinary Board meeting may be held in the form of telephone conference or by way of similar communication equipment so long as all Directors participating in such meeting can hear and communicate with one another clearly, and all such Directors shall be deemed to be present in person at the meeting.

Article 103 The Board meeting shall only be held when more than one half of the Directors are present (including the Director having been appointed by the other Director by proxy in writing to attend the board meeting on his behalf according to Article 104).

Each Director shall have one vote. Subject to Article 98(2) the resolution of the Board of Directors shall be passed by more than half of all Directors. In the event of having equal votes for or against the motion, the Chairman shall be entitled to cast an additional vote.

Unless otherwise specified in these Articles, where the Board of Directors considers that a Director has a material conflict of interest in a contract or arrangement or proposal to be considered by the Board that Director shall not vote and in calculating the number of Directors for the quorum of the meeting, that Director shall also not be counted.

Save as otherwise approved by the Stock Exchange of Hong Kong Limited or specified by the Articles of Association, a Director shall neither vote (nor be counted in the quorum) on any resolution of the Board in respect of any contract or arrangement or other proposals in which he himself, or any of his associate(s) (within the meaning of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong), is to his knowledge materially interested. In this Article, the Director or his associate entitled to “material interest” shall mean that the Director or his associate owns 5% or more of the interest in such contract, transaction or arrangement.

Article 104 The Board meeting shall be attended by the Directors in person. If a Director is unable to attend for any reason, he may entrust another Director in writing to represent him/her at the Board meeting. The relevant proxy shall state the scope of authorization. A Director may also use the telephone or other communication facilities to hold meeting with other Directors. Provided they can speak and hear clearly each other's conversation that Director is deemed to be present at the meeting in person.

A Director who attends a Board meeting on behalf of another Director shall exercise the rights of a Director within the given scope of authorization in the proxy. A Director who fails to attend a particular Board meeting and who has not appointed a representative to do so shall be deemed to have waived his voting rights in respect of that meeting. The person entrusted to represent a Director must himself be a Director. When counting whether there is a quorum for holding a Board Meeting, the Director be represented and his own vote as a Director and separate, and he also needs not use all the votes to which he is entitled to vote for or against a resolution. If a Director terminate the representative right to vote for him, the Director must inform the Company.

After discussion in advance, the Board of Directors may seek independent professional advice in appropriate situation. The costs shall be paid by the Company. The Board of Directors may resolve to provide independent professional advice for Directors separately in order to assist the relevant Director in performing his responsibilities to the Company.

Article 105 Costs incurred by the Directors in attending the Board meeting shall be borne by the Company. Such costs shall include travel expenses for traveling between the residence of the Directors and the location where the meeting is held, as well as the expenses for meals and accommodation during the period of the meeting. The sundry expenses including the rental for the venue of the meeting and the local traffic expenses shall be paid by the Company as well.

Article 106 The Board of Directors shall prepare minutes of the decisions on the matters discussed in



the board meetings. After finalization of the minutes, the Directors attending the meeting and the person taking the minutes shall sign their names on the minutes of that meeting.

The Directors shall be responsible for the resolutions of the Board of Directors. Where a resolution of the Board of Directors is in violation of the laws and administrative regulations or the Articles of Association, thereby causing serious losses to the Company, the Directors who took part in such resolution shall be liable to compensate the Company. However, if a Director is able to prove that he has expressed his opposition to such resolution put to the vote, and such opposition has been recorded in the minutes of the meeting, that Director may be relieved of such liability.

Article 107 In lieu of holding a Board meeting, a written resolution may be adopted by the Board of Directors provided that such resolution and its counterparts shall be sent by courier, post, cable or facsimile to all Directors and be affirmatively signed and adopted by all the Directors with each counterpart signed by one or more director(s) which shall be sent by the foregoing means to the Company Secretary and become the resolution adopted by the Board of Directors, without convening a Board meeting.

Article 108 Except when specified otherwise by the Board of Directors, the manager (not acting as the director concurrently) may attend the Board meeting and be entitled to receive the notice and related documents of such meetings. However, unless the manager is also a director, the manager shall not be entitled to vote in the Board meeting.

### **Chapter 11 Company Secretary to the Board**

Article 109 The Company shall have a Company Secretary. The Company Secretary to the Board shall be a senior management officer.

Article 110 The Company Secretary appointed by the Board shall be a natural person possessing the professional knowledge and relevant working experience. The essential duties of the Company Secretary's duties are :-

- (a) to ensure that the Company has a complete set of documents and records;
- (b) to ensure that the Company is able to comply with the laws and regulations in preparing and submitting such reports and/or documents as required by the industrial and commercial regulatory authorities and other government departments;

- (c) to ensure that the Register of shareholders of the Company is properly set up and that each person entitled to receive relevant records and documents of the Company can timely receive such records and documents;
- (d) to perform the duties of company secretary as stipulated by law and these Articles (including reasonable request by the Board of Directors).

Article 111 A Director or other senior management officer of the Company may take up the post of the Company Secretary concurrently. The accountant of the accounting firm appointed by the Company shall not be the Company Secretary to the Board concurrently.

Article 112 In the event that a Director takes up the post of the Company Secretary to the Board concurrently, whenever any particular act shall be done by the Director and the Company Secretary to The Board respectively, the Director taking up the post of Company Secretary to the Board concurrently shall not do such act in both capacities.

## **Chapter 12 Company Manager**

Article 113 The Company shall have one manager who shall be appointed or dismissed by the Board of Directors. The Company shall have one chief engineer and one chief finance officer who shall be nominated by the Company Manager to be appointed or dismissed by the Board of Directors.

Article 114 The Company manager shall be accountable to the Board of Directors and shall exercise the following powers:

- (1) to take charge of production, operation and management of the Company, and to organize the implementation of the resolutions of the Board of Directors;
- (2) to organize the implementation of the annual operation plans and investment schemes of the Company;
- (3) to draft the scheme for establishment of the internal management organization of the Company;
- (4) to draft the basic management system of the Company;
- (5) to formulate the basic rules and regulations of the Company;
- (6) to request the appointment, dismissal or transfer of post of the deputy manager, the

chief finance officer, the chief engineer and the chief economist of the Company;

- (7) to appoint or dismiss management personnel other than those required to be appointed or dismissed by the Board of Directors;
- (8) to convene and preside at (or entrust a deputy manager to do so) meeting of the Company Manager Office. Such Company Manager Office meeting shall be attended by the Company Manager, deputy manager or other senior Management Officers;
- (9) to decide the promotion or demotion, increase or decrease of salary, appointment, employment, termination of employment or dismissal of staff of the Company;
- (10) to exercise powers of charge, leasing, franchise or transfer of Company assets within limits authorised by the Board of Directors;
- (11) other powers conferred by the Board of Directors and the Articles of Association.

Article 115 The manager who is not a Director, attending Board meetings shall not have the right to vote at the Board meetings.

Article 116 The Company manager and deputy manager shall exercise the powers according to the provisions of laws, regulations and the Articles of Association, and shall perform the obligations diligently in good faith.

The manager and the deputy manager shall not alter the resolution of the General Meeting of Shareholders and the Board of Directors or go beyond the scope of authorization in exercising their powers.

### **Chapter 13 Supervisory Committee**

Article 117 The Company shall establish the Supervisory Committee, which is the permanent supervisory organization taking charge of supervising the Board and its members, and other senior management officers of the Company with the purpose of preventing the abuse of their powers on the job, and the infringement upon the lawful interests of the shareholders, the Company and the employees of the Company.

Article 118 The Supervisory Committee shall comprise three members. One of them shall act as Chairman of the Supervisory Committee. The tenure of a Supervisor shall be three years. A Supervisor may serve consecutive tenure if re-elected.

The election or removal of the chairman of the Supervisory Committee shall be passed by more than two-thirds (including two-thirds) of the members of the Supervisory Committee.

The resolutions of the Supervisory Committee shall be passed by over two-thirds (including two-thirds) of the members of the Supervisory Committee and two third of the members shall be a quorum.

Article 119 The members of the Supervisory Committee comprise two representatives of shareholders and one representative of the staff of the Company. The representatives of shareholders shall be elected and dismissed at the General Meeting of Shareholders. The representative of the staff shall be elected and dismissed by the staff of the Company on democratic basis.

Article 120 The Directors, the manager and other senior management officers of the Company (including but not limited to the chief finance officer) shall not be a member of the Supervisory committee concurrently.

Article 121 The Supervisory Committee shall convene at least one meeting every year. The Chairman of the Supervisory Committee shall be responsible for convening the meeting and informing all Supervisors ten days in advance. In case of urgent matters, an extraordinary meeting of Supervisory Committee may be convened upon proposal by one-third or more of all Supervisors, without the following restriction imposed on the notice for the meeting of Supervisory Committee.

In principle, the meeting of the Supervisory Committee shall be held at the residence of the Company, but may be held in other places of China as resolved by the Supervisory Committee.

The notice for the meeting of the Supervisory Committee shall be as follows:

- (1) In the event that the Supervisory Committee has stipulated in advance the date and place of the regular meeting of the Supervisory Committee, it shall not require the issue of notices to convene the meeting.
- (2) In the event that the Supervisory Committee has not stipulated in advance the date and place of the meeting of the Supervisory Committee, the Chairman of the Supervisory Committee shall inform the Supervisors at least ten days but at most thirty days in advance by sending the notice by means of telex, cable, facsimile,

speed post or registered mail or courier, unless specified otherwise by the first clause of this Article.

- (3) The notice shall be in Chinese, and its English version may be attached if necessary, and shall include the agenda for the meeting. Any of the Supervisors may waive the right of obtaining the notice from the Supervisory Committee for the meeting of the Supervisory Committee.

If the Supervisor having attended the meeting and has not raised objection for non-receipt of the notice in advance before or during the meeting, he shall be deemed to have received the notice of the meeting issued to him.

The regular or extraordinary meeting of the Supervisory Committee may be held in the form of telephone conference or by way of similar communication equipment so long as all Supervisors participating in such meeting can hear and communicate with one another clearly, and all such Supervisors shall be deemed to be present in person at the meeting.

In lieu of convening a meeting of the Supervisory Committee, a written resolution may be adopted by the Supervisory Committee provided that such resolution shall be sent by courier, post, cable or facsimile to all Supervisors and affirmatively signed and adopted by the number of Supervisors necessary to form a quorum, which shall become the resolution adopted at the meeting of the Supervisory Committee, without convening a meeting of the Supervisory Committee.

Article 122 The Supervisory Committee shall be accountable to the General Meeting of Shareholders and shall exercise the following powers according to the laws:

- (1) to examine the financial affairs of the Company;
- (2) to supervise the Directors, the manager and other senior management of the Company in respect of any violation of laws, administrative regulations or the Articles of Association in performing their duties;
- (3) when the conduct of the Directors, the manager and other senior management of the Company jeopardizes the interests of the Company, to require them to rectify accordingly;
- (4) to verify the financial information including the accounting report, the sales report, and the profit distribution scheme proposed to be tabled at the general meeting of Shareholders and, if in doubt, to entrust, in the name of the Company, any

registered accountant or practising auditor to assist in reviewing them;

- (5) to propose to convene an extraordinary general meeting of Shareholders;
- (6) to represent the Company in negotiation with the Directors or in initiating legal proceedings against the Director;
- (7) other powers authorized by the Articles of Association.

Supervisors shall attend the Board meetings.

Article 123 The meeting of the Supervisory Committee shall be held with more than two-thirds of the members of the Supervisory Committee present at the meeting. Each Supervisor shall be entitled to one vote. Resolutions of the Supervisory Committee shall be passed by the affirmative vote of more than two-thirds of the members of the Supervisory Committee.

Article 124 All reasonable expenses incurred by the Supervisory Committee when exercising its powers of appointing professionals such as lawyers, registered accountants and practicing auditors shall be borne by the Company.

Article 125 Supervisors shall faithfully perform their supervision duties in accordance with the provisions of laws, administrative regulations and the Articles of Association.

## **Chapter 14 Qualifications and Obligations of Directors, Supervisors, Manager and Other Senior Management of the Company**

Article 126 None of the persons in any of the following situations may serve as the Director, the Supervisor, the manager or any other senior management of the Company:

- (1) a person incapable of having civil conduct or with limited capability of civil conduct;
- (2) a person who was punished for committing corruption, bribery, misappropriation or embezzlement of property or disrupting social and economic order, and a period of five years has not elapsed since the punishment was completed, or who was deprived of his political rights as punishment for committing criminal offence, and a period of five years has not elapsed since the deprivation was completed;
- (3) a director, factory director or manager of a company or enterprise which entered into insolvent liquidation due to mismanagement, and who was personally liable

for such insolvent liquidation and a period of three years, counting from the date of completion of its insolvent liquidation, has not elapsed;

- (4) a legal representative of a company or enterprise which has had its business licence revoked and he was personally liable for such revocation and a period of three years, counting from the date of revocation of the business licence in question, has not elapsed;
- (5) a person with comparatively large personal debts which have fallen due but not settled yet;
- (6) a person who has been placed on file for investigation by judicial organizations for having violated the criminal law, and such investigation has not been concluded;
- (7) a person who is prohibited from acting as a leader of an enterprise by the provisions of the laws and administrative regulations;
- (8) a non-natural person;
- (9) a person who was convicted by the relevant regulatory authority for violating securities-related laws and regulations, where such violation involved fraudulent or dishonest conduct and a period of five years, counting from the date of the conviction in question, has not elapsed.

The management officers of holding company(s) shall not also act as the Company Manager, deputy manager, chief finance officer, chief sales officer and Secretary to the Board of Directors.

Article 127 The validity of the conduct of the Director, the manager or other senior management of the Company on behalf of the Company against a bona fide third party is not affected by any non-compliance by his/her conduct during office or election or qualifications.

Article 128 In addition to obligations required by laws, administrative regulations or listing rules of the stock exchange(s) on which shares of the Company are listed, the Directors, the Supervisors, the manager or other senior management of the Company shall have the following obligations to each shareholder in the exercise of the powers of the Company entrusted to him:

- (1) not to cause the Company to exceed the scope of business stipulated in its business licence;

- (2) to act honestly in the best interests of the Company;
- (3) not to deprive the Company in any way of its properties, including (but without limitation) the opportunities beneficial to the Company;
- (4) not to deprive the shareholders of personal interest, including (but not limited to) the allotment rights and the voting rights, but excluding the restructuring of the Company submitted to the General Meeting of Shareholders for approval in accordance with the Articles of Association.

Article 129 The Directors, the Supervisors, the manager or other senior management of the Company shall be prudent, diligent and skilled in exercising the powers or in discharging the obligations, just like a reasonably prudent person under comparable circumstances.

Article 130 Directors, supervisors, managers and other officials shall perform their duties in good faith, and shall not get involved in any circumstances where their own interests may be contradictory to their obligations. This principle includes but not limited to the performance of followings:

- (1) Act in good faith to the best interests of the Company.
- (2) Exercise powers, rights and authorities within the defined boundary.
- (3) Exercise discretionary power granted to them on their own without being manipulated by others. Unless otherwise allowed under applicable laws or administrative rules and regulations or consented by an informed shareholders' general meeting, such discretionary power shall not be transferred to others.
- (4) Shareholders of the same class shall be equally treated and those of different classes shall be fairly treated.
- (5) Unless otherwise specified in the Articles of Association or approved by an informed shareholders' general meeting, no contract, transaction or arrangement shall be entered into, established or made with the Company.
- (6) Unless otherwise approved by an informed shareholders' general meeting, the assets of the Company shall not be used in any way for their own interests.
- (7) Accepting bribery or other illegal earnings using their authority is not allowed. The assets of the Company, including but not limited to any opportunities in favor of the Company, shall not be seized in any manner,.



- (8) Unless otherwise approved by an informed shareholders' general meeting, no commissions associated with the transactions of the Company shall be accepted.
- (9) Act in accordance with the Articles of Association, performed their duties in good faith, and safeguard the interests of the Company. Any behaviors leveraging their status or authority at the Company for their own gains are not allowed.
- (10) Unless otherwise approved by an informed shareholders' general meeting, shall not engage in any form of competition against the Company. .
- (11) Company's funds shall neither be diverted or granted to others as a loan, nor deposited at the account opened in its own or others' name. Any personal debts of the shareholders or any others shall not be guaranteed by the assets of the Company.
- (12) Unless otherwise approved by an informed shareholders' general meeting, any confidential information regarding the Company obtained during the term of office shall not be disclosed or used unless it is for the Company's interests. However, the disclosure to the court or other authorities may be made under the following circumstances:
  1. Such disclosure is mandatory under the applicable laws;
  2. Such disclosure is mandatory for public interests;
  3. Such disclosure is mandatory for the interests of such directors, supervisors, managers or other officials.

Article 131 Directors, supervisors, managers or other officials shall not direct the following person or institution ("Associate") to get involved in any activities from which such directors, supervisors, managers or other officials are prohibited to act :

- (1) Spouse or minor children of such directors, supervisors, managers or other officials;
- (2) Trusts of such directors, supervisors, managers or other officials, or trusts of such persons in Clause 1 above;
- (3) Partners of such directors, supervisors, managers or other officials, or partners of such persons in Clause 1 or 2 above;

- (4) Any companies wholly controlled by such directors, supervisors, managers or other officials, or any companies jointly controlled by any persons or institutions mentioned in Clause 1, 2 or 3 above and such other directors, supervisors, managers or other officials at the Company;
- (5) Directors, supervisors, managers or other officials of the company which is controlled by any persons or institutions mentioned in Clause 4 above.

Article 132 The obligations of acting in good faith of such directors, supervisors, managers or other officials may survive the expiry of their terms. The obligations of confidentiality towards the trade secrets of the Company shall survive the expiry of their terms. The term of other obligations are defined in a fair way, depending on the period between the time the event occurs and the time such term expires, and the circumstance and condition under which or on which their relationship with the Company ends.

Article 133 Unless otherwise specified in Article 7.04, an informed shareholders' general meeting shall have the right to relieve such directors, supervisors, managers or other officials from any responsibilities for violation of any specific obligations.

Article 134 Directors, supervisors, managers or other officials, when directly or indirectly are materially interested in any established or contemplated contracts, transactions or arrangements (except the engagement letter with such directors, supervisors, managers or other officials), they shall disclose the nature and extent of such interests to the board of directors in a timely manner regardless of whether the relevant issues require an approval by the board of directors under normal circumstances.

Unless such directors, supervisors, managers or other senior officials have made such disclosure according to the clause above, the Company shall have the right to revoke such contracts, transactions or arrangements and unless the same has been approved by the board at the meeting on which such interested directors, supervisors, managers or other officials are not counted in the quorum and voting, provided that bona fide third parties who are not informed of the violations of the obligations of such directors, supervisors, managers or other senior officials shall not be affected.

Directors, supervisors, managers or other senior officials shall be deemed to be interested when the Associate of such directors, supervisors, managers or other senior officials are interested in a specific contract, transaction or arrangement.

Unless otherwise specified above, any director shall abstain from any resolutions in

which such director or his associate are interested.. Such director or his associate shall not be counted for voting and quorum, except under the following situations:

- (1) Any contracts or arrangements with any director or its associate established to secure or indemnify any obligations incurred or assumed under the loan granted by such director or its associate at the request of the Company or any of its subsidiaries or for the benefits of the Company or any of its subsidiaries;
- (2) Any contracts or arrangements established to individually or jointly assume all or any part of the responsibilities under the guarantee, indemnity or collateral set up by such director or its associate to cover the debts or obligations of the Company or any of its subsidiaries;
- (3) Any contracts or arrangements established for the subscription or purchase of shares, bonds or other recommended securities of the Company or any other companies in which the Company is a sponsor or has interest in while the director or his associate is a participant thereby interested in the recommended underwriting or sub-underwriting;
- (4) Any contracts or arrangements established under which the interests of such director or his associates for their subscription of shares, bonds or other securities at this Company, are the same as other holders of such shares, bonds or other securities at this Company or any of its subsidiaries;
- (5) Any director or its associate holding beneficial interests in any other companies as senior executives, chief executives or shareholders (or any third party companies in which such director or his associate holds interests through such other company), or any contract or arrangement under which such director or his associate holds interests in such company, provided that such director or his associate jointly holds less than five percent (5%) of issued shares or shares of any class of voting rights at such company (or any third companies in which such director or his associate holds interests through such other company); or
- (6) Any adoption, modification or execution of share option scheme, pension or retirement, death or disability benefits scheme or other arrangements associated with the director or its associate or employees of the Company or any of its subsidiaries, provided that such director or its associate is not offered any contract under which any privileges or benefits are not offered to other employees involved in such scheme or fund.

In this Article, “**Associate**” shall have the same meaning as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Article 135 It shall be deemed that the directors, supervisors, managers or other senior officials have made such disclosure in accordance with the previous clauses of this article when such directors, supervisors, managers or other senior officials notify in writing to the Board of Directors stating that he/she is interested in such contracts, transactions or arrangements before the Company considers the establishment of relevant contracts, transactions or arrangements for the first time. The disclosure required in this article shall be deemed to have been made on such notification.

Article 136 The Company shall not pay the taxes payable by the directors, supervisors, manager or other senior officials in any manner.

Article 137 The Company shall not, directly or indirectly, grant a loan or loan guarantee to the directors, supervisors, manager or other senior officials (or their Associates) at this Company or its parent company, except the followings:

- (1) The Company grants a loan or loan guarantee to its subsidiaries;
- (2) The Company as per the engagement letter approved by the general meeting grants a loan, loan guarantee or other payments to the directors, supervisors, managers or other senior officials to pay the expenses incurred for the benefits of the Company or incurred during the performance of their duties;
- (3) The Company shall have the right to grant a loan or loan guarantee to the directors, supervisors, manager or other senior officials or their Associates if such loan or loan guarantee is within normal business scope, provided that such loan or loan guarantee is granted based on normal commercial terms.

Article 138 Any of such loans granted by the Company contrary to the article above shall be repaid immediately regardless of the term on which the loan is granted.

Article 139 The Company shall not be obliged to execute the loan guarantee granted by the Company contrary to the first clause of Article 137; except the followings:

- (1) The lender is not aware that the loan granted to the Associates of the directors, supervisors, manager or other senior officials of the Company or its parent company violates Article 137;

- (2) The collateral granted by the Company has been lawfully disposed of by the lender to a bona fide buyer in accordance with the laws.

Article 140 The guarantees mentioned in the previous articles shall include an undertaking by the guarantor or property provided to secure the performance of obligations by the obligor.

Article 141 Apart from all rights or remedies specified in applicable laws or administrative rules or regulations, if the directors, supervisors, manager or other senior officials fail to perform their obligations toward the Company, the Company shall have the right to:

- (1) Require the repayment of any losses incurred to the Company due to its failure of the performance;
- (2) Cancel any contracts or transactions entered into or established by the Company with such directors, supervisors, manager or other senior officials, or any contracts or transactions entered into or established by the Company with any third party (provided that such party had known or had reasonable grounds to know that such directors, supervisors, manager or other senior officials on behalf of the Company failed to perform their obligations toward the Company);
- (3) Order the return of any gains due to failing to perform their obligations toward the Company;
- (4) Recover any payment collected by such directors, supervisors, manager or other senior officials that should have been attributed to the Company, including but not limited to commission;
- (5) Order the return of any incurred or potentially incurred interest on any payment that should have been attributed to the Company;
- (6) Take legal action to determine that property acquired by such directors, supervisors, manager or other senior management officer in violation of their duty should belong to the Company.

Article 142 A written contract shall be entered into with the directors and supervisors regarding their remuneration. Such contract shall be approved by the general meeting. Such remuneration include:

- (1) Remuneration when acting as a director, supervisor or other senior official at the Company;

- (2) Remuneration when acting as a director, supervisor or other senior official at the subsidiary of the Company;
- (3) Payment for his other services for business administration to the Company or its subsidiary;
- (4) Compensations for being removed from the office or for retirement of the director or supervisor.

Except as per the contracts mentioned above, the director or supervisor shall not file a case against the Company for his vested interests referring to in the previous clauses.

Article 143 It shall be stated in the contract entered into with the director or supervisor regarding its compensations that such director or supervisor shall be paid compensations or other payments for being removed from the office or retirement when the Company is about to be acquired, provided that the general meeting has approved such payment in advance. Such acquisition refers to one of the followings:

- (1) Anyone makes a takeover offer to all shareholders;
- (2) Anyone makes a takeover offer, which is designed to promote the offeree to a controlling shareholder. Such controlling shareholder shall be as defined in Article 57 herein.

Any payments received by any director or supervisor who fail to comply with this clause shall be attributed to the seller of its shares at the Company following the aforesaid offer. Such director or supervisor shall pay any expenses incurred during the proportional distribution of such payments. Such expenses shall not be paid out of such payments.

## **Chapter 15 Finance and Accounting System and Appropriation of Profits**

Article 144 The Company's financial and accounting systems are established based on applicable laws, administrative rules and regulations, and the provisions of the Generally Accepted Accounting Principles of China formulated by the financial authority under the State Council.

Article 145 Financial statements shall be prepared at the end of each fiscal year. Such statement is subject to examination and verification.

Article 146 A calendar year is the fiscal year of the Company, commencing on each 1st day of

January and ending on each 31<sup>st</sup> day of December.

The Company uses RMB for accounting unit. Accounts are prepared in Chinese.

Article 147 At each annual general meeting, the Board of Directors shall submit the financial statements to shareholders which are mandatory under applicable laws, administrative rules and regulations, and the provisions of the standards promulgated by the local government and competent authorities.

Article 148 Such statements shall be made available to shareholders at the Company twenty days before the general meeting. Each shareholder shall have access to the financial statement mentioned in this chapter.

The Company shall, at least twenty-one days before the general meeting, deliver such statements (including the annexes which are mandatory under applicable laws and administrative regulations and rules prescribed by the Stock Exchange at which the shares are listed) and the directors' report to any of the foreign capital shareholders using a postage-paid mail service, based on the registered address in the register of shareholders.

Article 149 Financial statements shall, in addition to be prepared by the Company in accordance with the Generally Accepted Accounting Principles of China and applicable laws, rules and regulations in China, be also prepared in accordance with the generally accepted accounting principles of the international community or the overseas places where the shares are listed. Any material discrepancies in the two sets of statements prepared based on above-mentioned principles shall be explained in the explanatory notes attached. The lower of the after-tax profits of a specific fiscal year stated in the statements prepared based on the above-mentioned principles shall prevail in the allocation of such profits.

Article 150 Quarterly reports, interim reports, annual reports or finance information made public or disclosed by the Company shall be prepared in accordance with the Generally Accepted Accounting Principles of China and applicable laws, rules and regulations in China, in addition, they shall also be prepared in accordance with the generally accepted accounting principles of international community or the overseas places where the shares are listed.

Article 151 The Company shall publish 2 financial report within its first accounting year, that is to say, an interim financial report within 60 days from the expiry of the first 6 months and an annual financial report within 120 days from the expiry of the accounting year (the format of the interim financial report must also comply with the requirement of the Listing rules of the Hong Kong Stock Exchange). Apart from, the above, the Company

shall at least 21 days before the general shareholders' meeting and not more than 4 months from the end of the accounting period send copies of the Board of Directors' Report and Accounts of the Accounting year and the Auditor's Report in respect thereof to all the shareholders of the Company.

Article 152 No other accounting records shall exist at the Company except those mandatory under applicable laws.

Article 153 When interim and annual financial statements of the Company has been prepared they should be dealt with and published in accordance with the relevant Chinese Securities Law, administrative regulations and rules prescribed by the Stock Exchange at which the shares are listed.

Article 154 Allocation of after-tax profits of the current year, shall be in the following order :-

- (1) recovery of loss;
- (2) allocation to the statutory provident fund;
- (3) allocation to the statutory public welfare funds;
- (4) payment of dividend payable on preference shares (if any);
- (5) allocation to optional provident fund;
- (6) payment of dividend on ordinary shares.

the properties of (5) and (6) shall be decided by the Board according to business and development needs and to be approved by the shareholders in general meeting.

Article 155 No dividends shall be allocated or otherwise allocated as bonus before the losses are recovered and statutory provident fund and statutory public welfare fund are reserved. No interest is payable on dividend due to shareholders except those overdue but not yet paid by the Company.

Article 156 The Company shall allocate 10% of the after-tax profits to statutory provident fund and 10% to statutory public welfare fund and such amount as decided by resolution of the general shareholders' meeting to the optional provident fund.

- (1) Premiums as the proceeds exceeding the nominal share price ;



- (2) Other gains which according to the financial authority under the State Council shall be classified as capital reserve.

Article 157 Provident funds shall only be used for the recovery of losses, the expansion of production capacity and the increase of registered capital.

Having been approved by the general meeting, the provident funds may be used for the increase of registered capital, shareholders are entitled to distribution of new shares in accordance with their original shareholding (or an increase in nominal value). When the statutory provident funds are so used, however, the remaining portion of provident fund shall not be less than twenty-five percent of the registered capital.

Article 158 Capital Provident fund includes :

- (1) Premium obtained by reason of issues of shares at price over their nominal value;
- (2) Other income which shall be classified as "capital provident fund" as required by the financial authority under the State Council.

Article 159 The statutory public welfare fund shall be used for the collective welfare of the staff of the Company.

Article 160 Dividends are allocated based on the shareholding of each shareholder within six months upon the expiry of each fiscal year, subject to Articles 154, 155 and 156.

Unless otherwise determined by the general meeting, the general meeting shall have the right to authorize the board for the allocation of annual dividends. Unless otherwise specified in applicable laws or rules or regulations, annual dividends shall not exceed the amount recommended by the Board of Directors.

Article 161 Dividends may be paid in the form of:

- (1) Cash; or
- (2) Share (or both cash and shares).

For shareholders of domestic capital ordinary shares, cash dividends or other payments are paid or made in RMB. For shareholders of overseas listed foreign capital shares, cash dividends or other payments are denominated in RMB and paid in Hong Kong dollars according to the Authority governing foreign exchange China.

Unless otherwise specified in applicable laws or rules or regulations, cash dividends or other payments shall be paid in Hong Kong dollars based on the average mid-point of the exchange rate promulgated by the People's Bank of China for the calendar week before such dividends or payments are announced for payment.

Article 162 Unless otherwise resolved by the general meeting, the general meeting may authorize the board in the allocation of interim dividends or special dividends.

Article 163 The Company shall, when allocating dividends among shareholders, withhold or pay the tax payable in accordance with the applicable laws in China.

Article 164 The Company shall appoint a receiving agent for foreign capital shareholders. Such agent claims on behalf of such foreign capital shareholders the dividends or other payments payable. Such appointed agent shall comply with the laws of the jurisdiction of the listing or the requirements under the provisions of the stock exchange where the shares are listed.

A receiving agent appointed by the Company for foreign capital shareholders of listed companies at The Stock Exchange of Hong Kong Limited shall be a trust company registered under the Trustee Ordinance.

Article 165 Subject to China Law and administrative regulations the Company may exercise power of forfeiture in respect of unclaimed dividend but such power may not be exercised before expiry of the relevant limitation period for litigation. All payment for shares are entitled to interest if they are paid prior to call but shareholders may not claim dividend announced afterwards based on his prepaid subscription.

If dividend cheques are returned tow times the Company may stop sending same by post. Similarly if it is returned undelivered the first time it is posted. The Company may sell the shares and retain the proceeds of untraceable shareholders if

- (1) within 12 years the Company declares dividend three times but were unclaimed by the shareholder; and
- (2) After the 12 years period, the Company publishes a Notice that it intend to sell the shares and notify the relevant overseas securities governing authority accordingly.

## **Chapter 16 Appointment of Accountancy Firm**

Article 166 An independent CPA established according to applicable provisions shall be appointed by the Company, responsible for the annual audit of financial statements and other reports.

The first accounting firm of the Company, can be appointed by the meeting of founders before the first annual meeting. Its term shall end on the conclusion of the first annual meeting.

The board of directors can exercise the powers mentioned above if the meeting of founders fails to exercise such power.

Article 167 The appointment term of the CPA begins and ends between each two annual meetings.

Article 168 The CPA so appointed shall:

- (1) Have an immediate access to review books, records or vouchers at the Company, and shall have the right to require the submission of supporting documents and information by the directors, managers or other senior officials;
- (2) Have the right to require the Company to take all reasonable measures to obtain all material or information from its subsidiaries which deems necessary for the performance of its duties;
- (3) Have the right to appear at the general meetings, and have access to the notification or others relevant to which any shareholder is the recipient, and comments on issues associated with its duties as CPA at any of such meetings.

Article 169 The Board of Directors can appoint another accounting firm to the post left vacant by the CPA before a general meeting. During such vacancy, however, if there are other existing CPA still serving the Company during the period, it shall continue in the performance of its duties.

Article 170 Notwithstanding any letter of engagement entered into with CPA, the general meeting shall, through an ordinary resolution, have the right to remove CPA from the post before the expiry of its terms. If the accounting firm so removed shall be entitled to claim against the Company for damages in respect of such removal, such entitlement shall not be prejudiced thereby.

Article 171 The general meeting determines the remunerations of CPA or the way such remunerations are fixed. The board shall determine the remunerations of the CPA it appointed.

Article 172 The general meeting determines the appointment, removal or discontinuing of the appointment of CPA of the Company, and it shall file with the competent authority under the State Council.

The following applies when the general meeting determines to appoint a non-serving auditor to fill the vacancy, reappoint an auditor appointed by the board to fill the vacancy, or remove an auditor from its post before the expiry of its terms:

- (1) The auditor to be appointed, removed or departed before the end of the fiscal year shall be copied of such resolution before the notice of the general meeting is issued. Such departure includes dismissal, resignation and retirement.
- (2) The following applies when the outgoing auditor represents in writing and requires that shareholders shall be informed of such representation, unless such representation is received by the Company too lately.
  1. The notice to shareholders regarding the resolutions determined shall state that the outgoing auditor has made a representation;
  2. Any shareholder who has access to the notice to the general meeting shall be copied of such representation.
- (3) Auditor shall have the right to require a presentation of such statement at the general meeting if the Company fails to deliver the notice in accordance with the two clauses above. An appealing mechanism is also in place in this case.
- (4) The outgoing auditor shall have the right to appear at:
  1. The general meeting in which its term is about to expire;
  2. The general meeting convened to appoint another auditor to its post to fill the vacancy due to its dismissal;
  3. The general meeting convened to appoint another auditor to its post to fill the vacancy due to its resignation;

Any of the notice of above meetings or relevant information shall be received by the outgoing auditor who shall have the right to address the meeting regarding the issues associated with such former auditor.

Article 173 CPA shall receive a prior notice for such removal or discontinuing its appointment. CPA

shall have the right to be heard in the general meeting. CPA, when submitting its resignation, shall address to the general meeting for any inappropriate events at the Company (if any).

Such resignation can be submitted by a notice made available at the registered address of the Company. Such resignation becomes effective on the date such notice is made available or the date specified therein, whichever is later. Such notice shall include:

- (1) A statement that in CPA's opinion there are no events associated with such resignation that should be addressed to shareholders or creditors, or
- (2) A statement that regarding any events associated with such resignation that should be addressed.

The competent authority shall be sent a copy of the notice mentioned above within fourteen days upon the receipt of such notice at the Company. The duplicates of the statements in such notice mentioned in Clause 2 above shall be made available at the Company, for shareholders' review. The Company shall also deliver the duplicate of such statement to any of the overseas shareholders, using a postage-paid mail service, based on the registered address in the register of shareholders.

If such notice contains a statement concerning any associated events that should be addressed, CPA shall have the right to request that an extraordinary general meeting be called by the Board of Directors for its account of the associated events.

## **Chapter 17 Labor Management and Trade Union**

Article 174 The Company-level institutions in such aspects as labor, personnel, compensations, benefits and social insurance are established in accordance with the laws and administrative rules and regulations in China.

Article 175 Management at each level is engaged by the Company. Workers are employed on a contractual basis. Staffing and placement are made at its own discretion. Management and workers can be dismissed as per the applicable administrative rules and regulations and the contract.

Article 176 Based on the profits and to the extent allowed by applicable administrative rules and regulations, the Company shall have the final say on the compensations and benefits of management at each level and workers.

Article 177 The medical insurance, pension insurance and unemployment insurance are purchased for management and workers following the applicable administrative rules and regulations promulgated by the central government and local government of China. The Company shall implement the laws, administrative rules, regulations and provisions in respect of the insurance and labour protection of retired or unemployed workers.

Article 178 As per the Trade Union Law of the Peoples Republic of China, staff shall have the rights to establish a trade union at the Company and sponsor activities accordingly. The Company shall provide the necessary environment for Trade Union activities.

The Company shall allocate to the union for its consumption according to the Rules and Laws of China for the union to carry out its activities.

### **Chapter 18 Merger and Division of the Company**

Article 179 Merger or division of the Company shall, be proposed by the Board of Directors and be approved in accordance with the Articles of Association and complete the reviewing and approval procedures. Shareholders opposing such merger or division shall have the right to require the acquisition of their shares at a fair price by the Company or shareholders upholding such merger or division. A special document shall be prepared for such merger or division resolution for shareholders' review, and delivered to foreign capital shareholders whose shares are listed in Hong Kong using a mail service.

Article 180 Merger may take the form of a merger or consolidation.

Each party involved shall enter into an agreement regarding such merger. A balance sheet and inventory of properties shall be prepared accordingly. The Company shall notify creditors of such merger within ten days upon the determination and announce such merger in newspaper for at least three times within thirty days.

Credits and debts attributable to the parties hereto shall be taken or assumed by the company surviving such merger or the new company thus established.

Article 181 After a division of the Company, a division of the properties shall be conducted accordingly by the Company.

Each party involved shall enter into an agreement regarding such division. A balance sheet and inventory of properties shall be prepared accordingly. The Company shall notify creditors of such division within ten days upon the determination and announce

such division in newspaper for at least three times within thirty days.

As per the agreement entered into, debts attributable to the Company before the division shall be assumed by the companies thereby established.

Article 182 Changes in registration matters (if any) after such merger or division shall be filed with the registrar. Registration of cancellation of Company registration shall be completed for a dissolved company and registration of incorporation shall be completed for newly established companies.

### **Chapter 19 Dissolution and Liquidation of the Company**

Article 183 The dissolution and liquidation process initiates upon the occurrence of any of the followings:

- (1) The Company is dissolved as per the resolution approved by the general meeting;
- (2) The Company is dissolved as a result of merger or dissolution;
- (3) The Company is declared bankrupt for not being able to repay the debts due;
- (4) The Company is ordered to close due to its violation of applicable laws or administrative rules or regulations.

Article 184 A liquidation committee shall be formed within fifteen days upon the dissolution of the Company as per Clause 1 above. Its members shall be designated by the general meeting through an ordinary resolution.

A liquidation committee shall be formed for the Company dissolved as per Clause 3 above. Its members shall be designated by the court as per applicable laws, including shareholders, competent authorities and professionals.

A liquidation committee shall be formed for the Company dissolved as per Clause 4 above. Its members shall be designated by the competent authority, including shareholders, competent authorities and professionals.

Article 185 When the Company is determined by the Board of Directors to go into liquidation (except that due to a declared bankruptcy of the Company), it shall be declared in the notice of an extraordinary general meeting that the board has a comprehensive understanding of the status of the Company, and that the Company shall be able to repay all of its debts within

twelve months upon the initiation of the liquidation.

The Board of Directors shall cease its powers or authorities upon the determination of liquidation by the general meeting.

The liquidation committee shall, based on the instructions of the general meeting, submit report to the meeting at least once a year, including such items as income and expense, the status of the business and liquidation at the Company. A final report shall be submitted to the meeting upon the conclusion of the process.

Article 186 Creditors shall be informed of the establishment of the committee within ten days. Such establishment shall be announced in newspaper for at least three times within sixty days. Registration of claims shall be performed by the committee.

Article 187 During the process, the committee shall have the following right and duties:

- (1) Produce an inventory of properties and balance sheet;
- (2) Have the creditors informed or posted;
- (3) Handle and clear up all pending businesses;
- (4) Repay all taxes owed;
- (5) Clear up all credits and debts;
- (6) Dispose of the properties less the debts owed;
- (7) Get involved in civil proceedings in the Company's name.

Article 188 A liquidation plan shall be formed by the committee after the clearing up of the properties and preparation of balance sheet and inventory of properties. Such plan shall be submitted to the general meeting or competent authority for confirmation.

Article 189 Liquidation cost including remuneration if members of the committee and their advisers shall be paid out if the assets of the Company in priority to the debts of creditors.

Article 190 Properties of the Company shall be used for the repayment in the following order:

- (1) Liquidation cost;
- (2) Labor cost and insurance charge;



(3) Taxes owed;

(4) Debts.

The properties after the repayment of above items shall be allocated among shareholders based on the category and ratio of their respective subscriptions. Unless with the approval of the Liquidation Committee nobody shall dispose of the Company's assets once a resolution to liquidate has been passed.

New operations are not allowed during the liquidation period.

Article 191 Liquidation Committee members should act in good faith according to law. They shall not receive bribes or other unlawful income or expropriate asset of the Company. If they wilfully or due to serious default cause loss to conditions, they are liable to compensate.

Article 192 During the check of the properties and the preparation of balance sheet and inventory of properties of the Company which goes liquidation due to the dissolution, the committee shall file an immediate request for declared bankruptcy with the court when the properties are found not enough to cover the debts. The committee shall pass the liquidation matters on to the court which determines the declared bankruptcy of the Company.

Article 193 The committee shall produce a liquidation report and the income and expenditure statements and financial books during the process upon the conclusion of the liquidation. Such reports, statements and books shall receive a verification by the certified accountant in China, and be submitted to the general meeting or competent authority for confirmation.

The committee shall, within 30 days upon the confirmation by the general meeting or competent authority, file such reports, statements and books with the registrar for the registration of cancellation. The cancellation shall be announced.

## **Chapter 20 Procedures for the Amendment of the Articles of Association**

Article 194 The Articles of Association of the Company may be amended in accordance with the provisions of laws, administrative rules and the Articles of Association.

Article 195 The following procedures shall be followed when any amendment is to be made to the Articles of Association:

(1) Prepare a revision proposal by the Board of Directors through a resolution based on

the Articles of Association;

- (2) Inform shareholders of such proposal and organize a general meeting for voting;
- (3) The revisions proposed at the general meeting shall be made by way of special resolution.

Article 196 Any such amendment associated with the Mandatory Provisions becomes effective upon the approval by the approval authority authorized by the State Council and China Securities Regulatory Commission. Any associated registration matters shall be registered in accordance with the laws.

## **Chapter 21 Notices**

Article 197 Unless otherwise specified herein, any notices, documents or written statements addressed to the foreign capital shareholders shall be served in person or by a postage-paid letter based on their respective registered address. For shareholders who do not register their addresses or who give wrong address the notice will be deemed record if the Company post up the notice at its legal address for 24 hours. Domestic capital shareholders will be deemed to receive the notice if the Company publish the notice in one or more newspapers prescribed by the Securities Management Department of the State Council.

Article 198 The notice to be delivered using a postage-paid mail service shall state clearly the address. The notice is deemed delivered when the envelope containing such notice is put into the mailbox, and deemed to be received 5 days after the posting.

Article 199 Any Notice, domestic, information or written statements, sent by the shareholders or the Articles to the Company may be sent by hand or by registered post to the legal address of the Company or sent by hand or by registered to the registered agent of the Company.

To prove the sending of notices, documents, information or written statements as aforesaid, the shareholders or Directors must provide evidence of that the same had been sent by prepaid posts to the correct addresses.

## **Chapter 22 Settlement of Disputes**

Article 200 The following rules on the settlement of disputes apply to the Company:

- (1) Any disputes or claims associated with the matters of the Company based on the rights or obligations outlined in the Articles of Association, the Companies Law and other applicable laws and administrative rules and regulations between foreign capital shareholders, between foreign capital shareholders and the directors, supervisors, manager and other senior officials, between foreign capital shareholders and shareholders in China shall be settled through arbitration.

Any of such disputes or claims submitted for arbitration shall be submitted as a whole. The Company or the directors, supervisors, manager and other senior officials at the Company shall honor the arbitral award when the Company or such directors, supervisors, managers and other senior officials is/are involved in the case based on the same cause of actions or whose involvement is mandatory for the settlement of such disputes or claims.

Any disputes associated with the definition of shareholders or register of shareholders can be settled without the aid of arbitration.

- (2) The parties hereto can choose to go to China International Economic and Trade Arbitration Committee for arbitration based on its arbitration rules, or with Hong Kong International Arbitration Centre based on its administered arbitration rules. The arbitration organization selected by the party escalating the case for arbitration shall have the jurisdiction over the disputes or claims.

If the escalating party chooses to go with Hong Kong International Arbitration Centre, either party hereto can petition for arbitration in Shenzhen based on the administered arbitration rules of the Hong Kong International Arbitration Centre.

- (3) Unless otherwise specified in applicable laws and administrative rules or regulations in case of (1), the laws of the People's Republic of China shall govern the arbitration-based settlement of disputes or claims under Clause 1 above.
- (4) The award of above-mentioned arbitration organ is final and binding upon both parties hereto.

## **Chapter 23 Supplementary Provisions**

Article 201 Notices required under these Articles should be published in newspaper prescribed by the Laws of China. If under these Articles, notice should also be published in Hong Kong then in addition, the notices should be published in the GEM Board website of the Hong Kong Stock Exchange.

Article 202 These Articles have one Chinese and one English version. In case of conflict, the Chinese version shall prevail.

Article 203 The following terms shall have the following meanings :-

[Board of Directors]	The Board of Directors of the Company
[Chairman of the Board]	The Company's Chairman of Board of Directors
[Directors]	Directors of the Company
[Legal address]	2nd – 8th Floors, Xinyang Building, Bagua No.4 Road, Futian District, Shenzhen, People's Republic of China.
[RMB]	The legal currency of China
[Company Secretary]	Company Secretary approached by the Board Directors
[Stock Exchange of Hong Kong]	Hong Kong Stock Exchange Limited
[Country] 、 [China]	People's Republic of China
Accounting firm mentioned in the Articles have the same meaning as [Auditor]	

Article 204 Subject to the laws of China and the administrative regulations the Board of Directors has the right to to interpret these Articles.

Signed by the Shareholders :-

Liu Xin :

Shenzhen De Shi Yu Investment Company Limited :

Shengzhen Langgu Technology Development Company Limited :

Wang Xue Zhi :

SPX Flow Technology Hong Kong Limited :

China Special Situation Holdings (1) (BVI) Limited :

China Special Situations Holdings (2) (BVI) Limited :