

**YiChang HEC ChangJiang Pharmaceutical Co., Ltd.**  
**宜昌東陽光長江藥業股份有限公司**

**Articles of Association**

**reviewed, amended and approved at the extraordinary general meeting  
of the Company on 13 October 2017**

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## Chapter 1 General Provisions

**Article 1** To safeguard the legitimate rights and interests of YiChang HEC ChangJiang Pharmaceutical Co., Ltd. (the “Company”), its shareholders and creditors, and to regulate the organisation and activities of the Company, the Company formulated the Articles of Association in accordance with the *Company Law of the People’s Republic of China (the “Company Law”)*, the *Securities Law of the People’s Republic of China (the “Securities Law”)*, the *Special Regulations of the State Council on the Overseas Offer and Listing of Shares by Joint Stock Limited Companies (the “Special Regulations”)*, the *Mandatory Provisions for Articles of Association of Companies to be Listed Overseas (“Mandatory Provisions”)*, the *Circular Regarding Comments on the Amendments to Articles of Association of Companies Listed in Hong Kong (the “Supplemental Comments”)*, the *Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”)* and other relevant requirements.

**Article 2** The Company is a foreign-invested company limited by shares established in accordance with the Company Law, the Special Regulations, the Interim Provision Concerning Some Issues on the Establishment of Joint Stock Limited Companies with Foreign Investment and other relevant laws and administrative regulations.

Pursuant to the “Approval of YiChang ChangJiang Pharmaceutical Co., Ltd. restructuring into a joint stock limited company by the Commission of Commerce of Hubei Province” (Commission of Commerce of Hubei Province eshangpi No. [2015]35) ([2015]35湖北省商務廳鄂商批[2015]35號《省商務廳關於宜昌長江藥業有限公司變更為股份有限公司的批復》), the Company was established by way of overall converting from YiChang ChangJiang Pharmaceutical Co., Ltd., and was registered with the Administration for Industry and Commerce of Hubei Province on 11 May 2015 where it obtained its business license. The number of the business license of the Company is 420500400000250.

The promoters of the Company are: HEC Pharm Co., Ltd. and North & South Brother Pharmacy Investment Company Limited.

**Article 3** Registered name of the Company:

Chinese name: 宜昌東陽光長江藥業股份有限公司  
Abbreviation: 東陽光藥  
English name: YiChang HEC ChangJiang Pharmaceutical Co., Ltd.  
Abbreviation: HEC Pharm

**Article 4** Place of domicile of the Company: No. 38 Binjiang Road, Yidu, Hubei Province

Postal code: 443300  
Tel: (+86)0769-81556777  
Fax: (+86)0769-81557111

**Article 5** The Chairman of the Company is the legal representative of the Company.

**Article 6** The Company is a joint stock limited company in perpetual existence and is an independent legal entity. The Company shall undertake its liabilities with all of its assets, while the liability of a shareholder of the Company shall be limited to the shares subscribed by him/her.

**Article 7** Upon approval at the shareholders' general meeting, the Articles of Association, being the code of conduct for the Company, take effect on the date when the overseas listed foreign shares issued by the Company are listed on the Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange"). The Articles of Association supersede our Articles of Association previously filed with industry and commerce administration authorities. From the date of the Articles of Association becoming effective, the Articles of Association constitute a legally binding document regulating the Company's organisation and activities, and the rights and obligations between the Company and each shareholder and among the shareholders inter se. The Company shall comply with the requirements of the Company Law, the Securities Law, the Special Regulations and the Articles of Association.

**Article 8** The Articles of Association shall have binding effect on the Company and its shareholders, directors of the Company (the “Directors”), supervisors of the Company (the “Supervisors”) and senior management members; the aforementioned person(s) may assert claims in respect of the matters in relation to the Company pursuant to the Articles of Association.

Pursuant to the Articles of Association, the Company may institute legal proceedings against shareholders; shareholders may institute legal proceedings against shareholders; and shareholders may institute legal proceedings against Directors, Supervisors and senior management members of the Company.

“Legal proceedings” referred to in the preceding paragraph includes any legal action brought before a court and any arbitration application submitted to an arbitration institution.

**Article 9** The Company may invest in other limited liability companies or joint stock limited companies and shall be held responsible for the companies in which the Company has invested to the extent of the capital contribution made by it.

Unless otherwise provided by law, the Company shall not become an investor that is jointly and severally liable for the liabilities owed by the companies in which the Company has invested.

**Article 10** “Senior management members” referred to in the Articles of Association include general manager, chief financial officer, deputy general manager and secretary of the Board of Directors (the “Board”) of the Company.

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

**Article 11** The business objective of the Company: medicine is used for saving, rather than hurting people. The pharmaceutical workers assume extremely heavy responsibility.

**Article 12** The Company’s business scope is as follows:

The research, development, production and sales of bulk pharmaceutical chemicals, generic drugs, biological medicine, first generic drugs, and new drugs from the PRC and abroad, and sales of insulin medical devices. (No business activities of these items subject to the approval of relevant authorities can be performed until obtaining such approvals from relevant departments).

The Company’s business scope mentioned in the preceding paragraph shall be consistent with the business scope registered with the authority responsible for the Company’s registration.

The Company may, based on any changes in domestic and international markets, business development and its own capability, adjust its scope of business, make amendments to the Articles of Association according to the relevant procedures and handle relevant formalities of industry and commerce administration registration for such an adjustment with the industry and commerce administration authorities according to relevant provisions.

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

**Article 13** The Company shall have ordinary shares at all times. The Company may create other classes of shares based on its needs and upon approval by the examining and approving departments authorized by the State Council.

**Article 14** Shares of the Company adopt the form of share certificates.

All shares issued by the Company shall have a par value of RMB1.00 per share.

**Article 15** The shares of the Company shall be issued in accordance with the principles of openness, fairness and impartiality, and shall rank *pari passu* in all respects with the shares of the same class.

Each of the shares of the same class shall be issued under the same conditions and at the same price in each issuance. The same price shall be paid for each of the shares subscribed for by any entity or individual. The terms and issue price of shares of the same class issued in one issuance shall be same and same price shall be paid by each institution or individual for each share subscribed.

**Article 16** Subject to approval of competent securities regulatory authorities of the State Council, the Company may issue shares to domestic investors and overseas investors.

The term “overseas investors” referred to in the preceding paragraph means investors located in foreign countries, Hong Kong, Macau and Taiwan who subscribe for shares issued by the Company. The term “domestic investors” means investors located in the PRC, excluding the regions mentioned above, who subscribe for shares issued by the Company.

**Article 17** Shares issued by the Company to domestic investors for subscription in RMB are referred to as domestic shares. Shares issued by the Company to overseas investors for subscription in foreign currencies are referred to as foreign shares. Overseas listed foreign shares are referred to as overseas listed foreign shares.

**Article 18** Foreign shares issued by the Company and listed in Hong Kong are referred to as H shares. H shares refer to the shares approved to be listed on the Hong Kong Stock Exchange, the par value of which are denominated in RMB, and are subscribed for and traded in Hong Kong dollars.

**Article 19** The Company issued 300 million ordinary shares to its promoters upon its establishment. All these shares were subscribed for and paid up by promoters of the Company in agreed capital contribution method. Shareholding of promoters of the Company upon its establishment sets out as follows:

<b>No.</b>	<b>Promoter</b>	<b>Number of shares (ten thousand)</b>	<b>Shareholding (%)</b>
1.	HEC Pharm Co., Ltd.	22,500	75
2.	North & South Brother Pharmacy Investment Company Limited	7,500	25
<b>Total</b>		<b><u>30,000</u></b>	<b><u>100</u></b>

**Article 20** In December 2015, upon the approval of the document of No. [2015]2191 by the China Securities Regulatory Commission, the Company issued 90,132,000 foreign shares (H shares), which were listed on the Hong Kong Stock Exchange on 29 December 2015; in January 2016, the Company issued additional 163,400 foreign shares (H Shares) pursuant to the partial exercise of the over-allotment option, which were listed on the Hong Kong Stock Exchange on 20 January 2016; in 2017, the Company issued 1,200,000 domestic shares. Subsequent to the completion of the issue mentioned above, the share capital structure of the Company was as follows: 452,022,850 ordinary shares, of which 226,200,000 shares were held by shareholders of domestic shares, representing 50.04% of the entire ordinary share capital in issue of the Company; 225,822,850 shares were held by shareholders of overseas listed foreign shares, representing 49.96% of the entire ordinary share capital in issue of the Company.

**Article 21** The Company's proposal for the issuance of overseas listed foreign shares and domestic shares, upon approval by securities regulatory authorities of the State Council, may be implemented by the Board of the Company through separate offerings.

The Company may implement its proposal for issuance of overseas listed foreign shares and domestic shares respectively pursuant to the preceding paragraph within 15 months from the date of approval by securities regulatory authorities of the State Council.

**Article 22** Where the Company issues overseas listed foreign shares and domestic shares respectively within the total number of shares stated in the issuance proposal, such shares shall be fully subscribed at one time respectively. If the shares cannot be fully subscribed at one time under special circumstances, the shares may be issued in separate offerings subject to the approval of securities regulatory authorities of the State Council.

**Article 23** The registered capital of the Company is RMB452,022,850.

**Article 24** Unless otherwise provided by laws and administrative regulations, shares of the Company are freely transferable according to laws and are not subject to any lien.

#### **Chapter 4 Increase and Decrease in Capital and Repurchase of Shares**

**Article 25** The Company may, based on its requirements for operation and development and in accordance with the relevant provisions of the laws, regulations and these Articles of Association, by special resolution(s) at the shareholders' general meeting, increase its capital by way of:

- (1) offering new shares to non-designated investors for subscription;
- (2) placing new shares to its existing shareholders;
- (3) allotment of new shares to its existing shareholders;
- (4) issuance of new shares to particular investors;
- (5) converting its public reserve funds into share capital; and
- (6) any other methods permitted by laws, administrative regulations and relevant regulatory authorities.

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



**Article 26** The Company has the power to sell the shares of a shareholder who is untraceable and retain the proceeds there from if:

- (1) during a period of 12 years at least 3 times dividends in respect of the shares in question have become payable and no dividend during that period has been received by the shareholder; and
- (2) on expiry of the 12 years, the Company gives announcement of its intention to sell the shares by way of an advertisement in newspapers upon approval from the securities authority of the State Council, and notify the securities authority and relevant overseas stock exchanges and securities regulatory authorities in such places as our shares may be listed of such intention.

**Article 27** The Company may reduce its registered capital pursuant to the provisions of the Articles of Association. In doing so, the Company shall act in accordance with the procedures specified in the Company Law and other relevant regulations and the Articles of Association.

**Article 28** When the Company reduces its registered share capital, it must draw up a balance sheet and an inventory of assets.

The Company shall notify its creditors within 10 days of the date of the Company's resolution for reduction of share capital and shall publish an announcement in a newspaper within 30 days of the date of such resolution. A creditor of the Company shall be entitled, within 30 days from the date of receipt of the announcement from the Company or, in the case of a creditor who does not receive the announcement, within 45 days of the date of the announcement, to demand the Company to repay its debts or provide a corresponding guarantee for such debt.

**Article 29** The Company may, according to provisions of laws, administrative regulations, the Listing Rules and the Articles of Association and subject to the approval of the relevant governing authority of the State, repurchase its shares under the following circumstances:

- (1) cancelling shares for the purpose of reducing the capital of the Company;
- (2) merging with another company that holds shares in the Company;

- (3) granting shares as incentives to the employees of the Company;
- (4) acquiring the shares of dissident shareholders (upon their request) who vote against any resolution adopted at any shareholders' general meetings on the merger or division of the Company;
- (5) such other circumstances permitted by laws and administrative regulations.

**Article 30** The Company may, with the approval of the relevant governing authority of the State for repurchasing its shares, conduct the repurchase in one of the following ways:

- (1) issue a repurchase offer to all the shareholders of the Company on a pro rata basis;
- (2) repurchase shares through public dealing on a stock exchange;
- (3) repurchase by an off-market agreement;
- (4) by other means as permitted by the law, administrative regulations and other relevant competent authorities.

**Article 31** Where the Company repurchases its shares for any reason mentioned in (1) to (3) of Article 29 above of the Articles of Association or by an off-market agreement, the prior sanction of shareholders shall be obtained in accordance with the Articles of Association. The Company may release, vary or waive its rights under a contract so entered into by the Company with the prior approval of shareholders obtained in the same manner.

“Contract to repurchase shares” referred to in the preceding paragraph includes (but not limiting to) an agreement to become obliged to repurchase or an acquisition of the right to repurchase shares of the Company.

The contract to repurchase its shares or any rights provided therein shall not be assigned by the Company.

**Article 32** For the purpose of the redeemable shares which the Company has the right to repurchase, their prices shall be limited to a certain maximum price if they are not repurchased through the market or by tender. In case of repurchase by tender, tenders shall be offered to all shareholders on equal conditions. The Company shall not be permitted to transfer a contract for the repurchase of its shares nor to assign any rights stipulated in such contract.

**Article 33** Where shares are repurchased lawfully pursuant to sub-paragraph (1) of Article 29 of the Articles of Association, such shares shall be cancelled within 10 days from the date of repurchase; in case of repurchase pursuant to sub-paragraphs (2) or (4) of Article 29 of the Articles of Association, such shares shall be transferred or cancelled within 6 months thereafter; in case of repurchase pursuant to sub-paragraph (3) of Article 29 of the Articles of Association, such shares shall not be more than 5% of the total issued share capital of the Company; funds used for repurchase shall be financed out of profits after tax of the Company; repurchased shares shall be transferred to the employees within one year.

After cancelling repurchased shares lawfully, the Company shall apply to the original companies registration authority for registration of the change of its registered capital and issue a relevant press announcement.

The amount of the Company's registered share capital shall be reduced by the aggregate par value of those cancelled shares.

**Article 34** The Company shall not accept any shares of the Company as subject of pledge.

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

- (1) where the Company repurchases shares issued at par, payment shall be made out of book surplus distributable profits of the Company or out of the proceeds of a fresh issue of shares made for that purpose;
- (2) where the Company repurchases shares issued at a premium to par value, payment up to the par value shall be made out of the book surplus distributable profits of the Company or out of the proceeds of a fresh issue of shares made for that purpose. Payment of the portion in excess of the par value shall be effected as follows:
  1. if the shares being repurchased were issued at par value, payment shall be made out of the book surplus distributable profits of the Company;
  2. if the shares being repurchased were issued at a premium to par value, payment shall be made out of the book surplus distributable profits of the Company and out of the proceeds of a fresh issue of shares made for that purpose, provided that the amount paid out of the proceeds of the fresh issue shall not exceed the aggregate premiums received on the issue of the shares repurchased, or the amount of the Company's share premium account (or capital reserve fund account, including the premiums on the fresh issue);

- (3) the Company shall make payments for the following applications out of the Company's distributable profits:
  1. acquisition of rights to repurchase shares of the Company;
  2. variation of any contract to repurchase shares of the Company; and
  3. release of any of the Company's obligation under any contract to repurchase shares of the Company;
- (4) after the Company's registered share capital has been reduced by the total par value of the cancelled shares in accordance with the relevant provisions, the amount deducted from the distributable profits for payment of the par value portion of the shares repurchased shall be transferred to the Company's share premium account (or capital reserve fund account).

## **Chapter 5 Financial Aid for the Purchase of Shares in the Company**

**Article 36** The Company and its subsidiaries shall not, by any means at any time, provide any kind of financial aid to a person who is acquiring or is proposing to acquire shares of the Company. The said acquirer of shares includes a person who directly or indirectly incurs any obligations due to the acquisition of shares of the Company.

The Company or its subsidiaries shall not, by any means at any time, provide financial aid to the said acquirer for the purpose of reducing or discharging the obligations assumed by that person.

This Article shall not apply to the circumstances referred to in Article 38 in the Articles of Association.

**Article 37** For the purposes of this chapter, the term "financial aid" shall include (but not limited to):

- (1) gift;
- (2) guarantee (including the assumption of liability by the guarantor or the provision of assets by the guarantor to secure the performance of obligations by the obligor), or compensation (other than compensation in respect of the Company's own default) or release or waiver of any rights;

- (3) provision of loan or any other contract under which the obligations of the Company are to be fulfilled before the obligations of another party, and a change in the parties to, or the assignment of rights arising under, such loan or contract; and
- (4) any other form of financial aid given by the Company when the Company is insolvent or has no net assets or when its net assets would thereby be reduced to a material extent.

“Incurs any obligations” referred to in this chapter includes the incurrance of obligations by the changing of the obligor’s financial position by way of contract or the making of an arrangement (whether enforceable or not, and whether made on its own account or with any other persons), or by any other means.

**Article 38** The following activities shall not be deemed to be prohibited by Article 36 of the Articles of Association:

- (1) the provision of financial aid by the Company where the financial aid is provided in good faith in the interests of the Company and the principal purpose of which is not for the acquisition of shares in the Company, or where the provision of financial aid is an incidental part of certain overall plan of the Company;
- (2) the lawful distribution of the Company’s assets by way of dividend;
- (3) the allotment of dividends through allotment of bonus shares;
- (4) inter alias, a reduction of registered capital, a repurchase of shares or a reorganisation of the equity structure of the Company effected in accordance with the Articles of Association;
- (5) the lending of money by the Company within its scope of business and in the ordinary course of its business (provided that the net assets of the Company are not thereby reduced or that, to the extent that they are thereby reduced, the financial aid is provided out of distributable profits); and
- (6) the provision of funds by the Company for contributions to employees share schemes (provided that the net assets of the Company are not thereby reduced or that, to the extent that they are thereby reduced, the financial aid is provided out of distributable profits).

## Chapter 6 Share Certificates and Register of Members

**Article 39** The share certificates of the Company shall be in registered form.

In addition to those provided in the Company Law, the share certificates of the Company shall contain other items required to be specified by the stock exchange on which the shares of the Company are listed.

During the period when H shares are listed on the Hong Kong Stock Exchange, the Company must ensure all title documents of its securities listed on the Hong Kong Stock Exchange (including H share certificates) contain the following statements at all times:

- (1) The share purchasers and the Company and each of the shareholders, and the Company and each of the shareholders shall agree to observe and comply with the requirements of the Company Law, the Special Regulations, the Articles of Association and other relevant laws and administrative regulations;
- (2) The share purchasers and the Company, each of the shareholders, Directors, Supervisors, general manager and other senior management members of the Company shall agree, and the Company acting on its own behalf and for the benefit of each Director, Supervisor, general manager and other senior management member shall agree with each shareholder, that all disputes or claims incurred as a result of rights or obligations provided by the Articles of Association or the Company Law or other relevant law or administrative regulations or in relation to the affairs of the Company shall be submitted to arbitration in accordance with the Articles of Association, and any reference to arbitration shall be deemed to authorize the arbitration tribunal to conduct hearing in open session and to publish its award. Such arbitration shall be final and conclusive;
- (3) The share purchasers and the Company and each of the shareholders agree the shares of the Company may be freely transferred by the shareholder thereof;
- (4) The share purchasers authorize the Company to enter into a contract on their behalf with each of the Directors, general manager and other senior management members. Pursuant to the contract, the Directors, general manager and other senior management members undertake to observe and fulfill their responsibilities to the shareholders under the Articles of Association.

The Company shall instruct and cause each of its share registrar not to register the subscription, purchase or transfer of any of its shares in the name of any individual shareholder unless and until such shareholder delivers to such share registrar a completed and signed form in respect of such shares bearing the aforesaid statements.

**Article 40** The shares of the Company may be transferred, donated, inherited and pledged in accordance with the relevant laws, administrative rules and the Articles of Association. Transfer of shares must be registered by the share registrar entrusted by the Company.

**Article 41** The share certificates shall be signed by the Chairman of the Board. Where the stock exchange on which the shares of the Company are listed requires the share certificates to be signed by other senior management members of the Company, such share certificates shall also be signed by other relevant senior management members. The share certificates shall be effective after being affixed or printed with the seal of the Company. The share certificates shall only be affixed or printed with the company seal with the authorisation of the Board. The signatures of the Chairman of the Board or other relevant senior management members on the share certificates may also be in printed form.

**Article 42** The Company shall keep a register of members containing the following particulars:

- (1) the name, address (place of domicile), occupation or nature of business of each shareholder;
- (2) the class and number of shares held by each shareholder;
- (3) the amount paid-up or payable in respect of 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 any shareholder ceased to be a shareholder.

Unless there is evidence to the contrary, the register of members shall be the sufficient evidence of the shareholders' shareholding in the Company.

**Article 43** Subject to compliance with the Articles of Association and other applicable requirements and upon transfer of the Company's shares, the transferees of the shares will become the holders of such shares with their names being added in the register of shareholders.

All acts or transfer of overseas listed foreign shares will be recorded in the register of shareholders of overseas listed foreign shares which is kept in the place where such shares are listed pursuant to Article 44 of the Articles of Association.

Where two or more persons are registered as joint shareholders of any share, they shall be deemed to be joint owners of such shares and subject to constraints of the following terms:

- (1) the Company is not obliged to register more than four persons as joint holders for any shares;
- (2) all the joint holders of any share shall jointly or severally assume the liability to pay for all amounts payable for the relevant shares;
- (3) in case one of the joint holders has deceased, only the surviving joint holders shall be deemed by the Company to be such persons as having the ownership of the relevant shares. But the Board shall have the right, for the purpose of making amendments to the register of shareholders, to demand a death certificate of such shareholder where it deems it appropriate to do so; and
- (4) for joint shareholders of any shares, only the joint holder whose name appears first in the register of shareholders has the right to receive the share certificates for the relevant shares, receive announcements from the Company, attend the shareholders' general meeting and exercise voting rights. The announcement which is serviced on the above-mentioned person should be deemed to be serviced on all of the joint shareholders of relevant shares. Any one shareholder may sign this proxy form. The vote of the senior joint shareholder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint shareholder(s) and for this purpose seniority will be determined by the order in which the names stand in the Register of Members of the Company in respect of the joint shareholding.



**Article 44** The Company may, in accordance with the mutual understanding and agreements made between the securities regulatory authorities of the State Council and overseas securities regulatory authorities, keep its original register of shareholders of overseas listed foreign shares outside of the PRC and appoint overseas agent(s) to manage such register. The original register of shareholders of overseas listed foreign shares listed in Hong Kong shall be maintained in Hong Kong. The Company shall maintain a duplicate of the register of shareholders of overseas listed foreign shares at its place of domicile. The appointed overseas agent(s) shall ensure consistency between the original version and the duplicate register of shareholders of overseas listed foreign shares at all times.

If there is any inconsistency between the original and the duplicate register of shareholders of overseas listed foreign shares, the original version shall prevail.

**Article 45** The Company shall maintain a complete register of members. The register of members shall include the following parts:

- (1) the register of members which is maintained at the Company's place of domicile (other than those share registers which are described in paragraphs (2) and (3) of this Article);
- (2) the register of members in respect of the shareholders of overseas listed foreign shares of the Company which is maintained at the place where the overseas stock exchange on which the shares are listed is located; and
- (3) the register of members which is maintained in such other place as the Board may consider necessary for the purpose of listing of the Company's shares.

**Article 46** Different parts of the register of members shall not overlap one another. No transfer of the shares registered in any part of the register shall, during the existence of share registration, be registered in any other parts of the register of members.

Alteration or rectification of each part of the register of members shall be made in accordance with the laws of the place where that part of the register of members is maintained.

**Article 47** All transfers of overseas listed foreign shares shall adopt written transfer documents of ordinary or common forms accepted by the Hong Kong Stock Exchange or any other forms acceptable to the Board, which documents may be executed in manuscript without seal. If the transferor or transferee of any shares in the Company is a recognized clearing house ("Recognized Clearing House") (or its nominee) within the meaning of the laws of Hong Kong, it may use machine imprinted signatures on written transfer documents.

All fully-paid share capital of overseas listed foreign shares listed in Hong Kong is freely transferable pursuant to the Articles of Association subject to other restrictions of the Hong Kong Stock Exchange. The Board may refuse to recognize any instrument of transfer without explanation, unless such transfer is in compliance with the following conditions:

- (1) a fee (for each instrument of transfer) of HK\$2.5 or any higher fee as agreed by the Board has been paid to the Company to register the instrument of transfer of shares and other documents relating to or which may affect the ownership of such shares, provided that it shall not exceed such highest fees as agreed from time to time by the Hong Kong Stock Exchange in the Listing Rules;
- (2) the instrument of transfer solely involves the overseas listed foreign shares listed in Hong Kong;
- (3) the stamp duty payable on the instrument of transfer has been paid;
- (4) the relevant share certificates and other evidences reasonably required by the Board showing that the transferor has the right to transfer such shares have been furnished;
- (5) if the shares are intended to be transferred to joint shareholders, the number of such joint shareholders shall not exceed 4;
- (6) the Company has not created any lien over the relevant shares.

If the Company refuses to register any transfer of shares, the Company shall within two (2) months of formal application for the transfer provide the transferor and transferee with a announcement of refusal to register such transfer.

**Article 48** Shares held by promoters of the Company may not be transferred within one year after the Company's establishment.

The Directors, Supervisors and senior management of the Company shall report to the Company the number of shares held by them in the Company and the subsequent changes in their shareholdings. The number of shares which such persons may transfer every year during their terms of office shall not exceed 25% of the total number of the Company's shares in his/her possession. Such personnel shall not transfer the Company's shares in their possession within half year after they have terminated their employment with the Company.

**Article 49** Upon obtaining approval from the competent securities regulatory authorities of the State Council, shareholders of domestic shares can transfer their shares to foreign investors, and trade in foreign markets. Transferred shares listed and traded on a foreign stock exchange are subject to the supervision procedures, regulations and requirements of the foreign stock exchange. The Company does not need to convene a class meeting to vote for the transferred shares traded in foreign stock exchange.

**Article 50** No changes in the shareholders' register due to the transfer of shares may be made within 30 days before the date of a shareholders' general meeting or within 5 days before the record date for the Company's distribution of dividends.

**Article 51** When the Company convenes a shareholders' general meeting, distributes dividends, enters into liquidation and engages in other activities that involve confirmation of equity interests, the Board shall determine a specific day for confirmation of equity interests. Shareholders named in the register of members by the end of the date of confirmation of equity interests shall be the shareholders of the Company.

**Article 52** Any person who objects to the register of members and requests to have his/her name included in or removed from the register of members may apply to the court of relevant jurisdiction to amend the register of members.

**Article 53** Any shareholder who is registered in, or any person requests to have his/her name entered into, the register of members may, if his/her share certificate (the "Original Certificate") is lost, apply to the Company for a replacement share certificate in respect of such shares (the "Relevant Shares").

If a shareholder of domestic shares loses his/her share certificate and applies for a replacement share certificate, it shall be dealt with in accordance with the requirement of Article 143 of the Company Law.

If a shareholder of overseas listed foreign shares loses his/her share certificate and applies for a replacement share certificate, it may be dealt with in accordance with the relevant laws, the rules of the stock exchange and other relevant regulations of the place where the original register of shareholders of overseas listed foreign shares is maintained.

If a shareholder of H shares loses his/her share certificate and applies for a replacement share certificate, such share certificate shall be issued in compliance with the following requirements:

- (1) the applicant shall submit an application to the Company in the standard form prescribed by the Company accompanied by a notarial certificate or statutory declaration containing the grounds upon which the application is made by the applicant and the circumstances and evidence of the loss of the share certificate as well as declaring that no other person is entitled to request to be registered as the shareholder of the Relevant Shares.
- (2) before the Company decides to issue the replacement share certificate, no statement is made by a person other than the applicant requesting that he shall be registered as the shareholder in respect of such Relevant Shares.
- (3) the Company shall, if it decides to issue a replacement share certificate to the applicant, make an announcement of its intention to issue the replacement share certificate in such newspapers designated by the Board; the announcement shall be made at least once every 30 days for a period of 90 days.
- (4) prior to the publication of its intention to issue a replacement share certificate, the Company shall have delivered to the Hong Kong Stock Exchange a copy of the announcement to be published. The Company may publish the announcement upon receiving a confirmation from the Hong Kong Stock Exchange that the announcement has been displayed at the premises of the Hong Kong Stock Exchange. The announcement shall be displayed at the premises of the Hong Kong Stock Exchange for a period of 90 days. In case an application to issue a replacement share certificate has been made without the consent of the registered shareholder of the Relevant Shares, the Company shall deliver by mail to such registered shareholder a copy of the announcement to be published.
- (5) if, upon expiration of the 90-day period of announcement and display referred to in paragraphs (3) and (4) of this Article, the Company has not received from any person any objection to such application, the Company may issue a replacement share certificate to the applicant accordingly.
- (6) where the Company issues a replacement share certificate in accordance with this Article, it shall forthwith cancel the Original Certificate and record the cancellation and replacement matters in the register of members accordingly.

- (7) all expenses relating to the cancellation of an Original Certificate and the issuance of a replacement share certificate by the Company shall be borne by the applicant. The Company may refuse to take any action until a reasonable guarantee is provided by the applicant.

**Article 54** After the Company issues a replacement share certificate pursuant to the Articles of Association, the name of a bona fide purchaser who obtains the aforementioned new share certificate or a shareholder who thereafter registers as the owner of such shares (in the case where he/she is a bona fide purchaser) shall not be deleted from the register of members.

**Article 55** The Company shall not have any obligation to indemnify any person for any damages suffered thereby arising out of the cancellation of the Original Certificate or the issuance of a replacement share certificate, unless such person concerned can prove that the Company has committed a fraudulent act.

In the case of anonymous warrant, no new warrant shall be issued to replace the lost warrant unless the Company is convinced that the original warrant has been destroyed beyond reasonable doubt.

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

**Article 56** A shareholder of the Company is a person who lawfully holds shares of the Company and whose name is recorded in the register of members.

A shareholder shall enjoy the relevant rights and assume the relevant obligations in accordance with the class and number of shares he holds. Shareholders holding the same class of shares shall enjoy the same rights and assume the same obligations.

All classes of shareholders of the Company shall have equal rights in any profit distribution in the form of a dividend or any other form.

Where legal persons become shareholders of the Company, their legal representatives or nominees of their legal representatives shall exercise relevant rights on their behalf.

The Company shall not exercise its rights to freeze or otherwise prejudice its rights attached to the shares merely based on the above ground that any person has not disclosed to the Company the following rights and interests he/she holds directly or indirectly.

**Article 57** Shareholders of the ordinary shares of the Company shall enjoy the following rights:

- (1) the right to dividends and other profit distributions in proportion to the number of shares held;
- (2) the right to propose, convene, chair, attend and vote in person or appoint a proxy to attend and vote on his/her behalf at shareholders' general meetings in proportion to the number of shares held in accordance with the law;
- (3) the right to supervise and manage, present proposals or raise enquiries about the Company's business operations;
- (4) the right to transfer, give away or pledge the shares in their possession in accordance with laws, administrative regulations and provisions of the Articles of Association;
- (5) the right to obtain relevant information in accordance with the provisions of the Articles of Association, including:
  1. the right to obtain a copy of the Articles of Association, subject to payment of cost;
  2. the right to inspect and copy, subject to payment of a reasonable charge:
    - (1) a copy of all parts of the share register;
    - (2) personal particulars of each of the Company's Directors, Supervisors, general manager and other senior management members as follows:
      - a. present name and alias and any former name and alias;
      - b. principal address (residence);
      - c. nationality;
      - d. primary and all other part-time occupation and duties; and
      - e. identification document and its number.
  - (3) the status of the Company's share capital;

- (4) reports showing the aggregate par value, quantity, maximum and minimum prices paid in respect of each class of Shares repurchased by the Company since the end of the last financial year and the aggregate amount incurred by the Company for this purpose;
- (5) minutes of shareholders' general meetings, special resolutions of shareholders' general meetings, resolutions of Board meetings and resolutions of Board of Supervisors meetings;
- (6) corporate bond counterfoils;
- (7) the latest audited financial report of the Company, and the reports of Directors, auditors and Supervisors;
- (8) a copy of the latest Annual Inspection Form that has been filed with the PRC administration for industry and commerce or other competent authorities.

Documents mentioned above shall be made available by the Company at the Company's place of domicile and its place of business in Hong Kong, for shareholders to inspect.

- (6) in the event of termination or liquidation of the Company, to participate in the distribution of remaining assets of the Company in accordance with the number of Shares held;
- (7) with respect to shareholders who vote against any resolution adopted at the shareholders' general meeting on the merger or division of the Company, the right to demand the Company to acquire the shares held by them;
- (8) Shareholders individually or jointly holding more than 3% of the Company's shares can make a provisional motion in writing to the Board 10 days before the date of shareholders' general meeting.
- (9) Other rights conferred by laws, administrative regulations, departmental rules or the Articles of Association.

**Article 58** Shareholders of ordinary shares of the Company shall assume the following obligations:

- (1) to comply with laws and administrative regulations and the Articles of Association;
- (2) to pay subscription monies according to the number of shares subscribed and the method of subscription;
- (3) not to withdraw their fund contribution after approval and registration by the Company, except as provided in laws and administrative regulations;
- (4) other obligations imposed by laws, administrative regulations and the Articles of Association.

Unless otherwise specified, shareholders are not liable to make any further contribution to the share capital other than as agreed by the subscriber of the relevant shares on subscription.

**Article 59** In addition to obligations imposed by laws, administrative regulations or the Listing Rules on which the shares of the Company are listed, a controlling shareholder shall not exercise his/her voting rights in respect of the following matters in a manner prejudicial to the interests of the shareholders' in whole or of some part of the shareholders of the Company:

- (1) to waive the responsibility of a Director or Supervisor to act honestly in the best interests of the Company;
- (2) to approve the expropriation by a Director or Supervisor (for his/her own benefit or for the benefit of another person), in any way, of the Company's properties, including (without limitation to) opportunities beneficial to the Company; or
- (3) to approve the expropriation by a Director or Supervisor (for his/her own benefit or for the benefit of another person) of the personal rights of other shareholders, including (but not limited to) right to distributions and voting rights save pursuant to a restructuring submitted to shareholders for approval in accordance with the Articles of Association.



**Article 60** The term “controlling shareholder” referred to in the Articles of Association means a shareholder who satisfies any one of the following conditions:

- (1) he/she alone, or acting in concert with others, has the power to elect more than half of the Board;
- (2) he/she alone, or acting in concert with others, has the power to exercise or to control the exercise of 30% or more of the voting rights in the Company;
- (3) he/she alone, or acting in concert with others, holds 30% or more of the issued and outstanding shares of the Company; or
- (4) he/she alone, or acting in concert with others, in any other manner has de facto control over the Company.

The phrase “acting in concert” referred to in this Article means two or more individuals by way of agreement (whether oral or written) reaching a consensus, through one individual acquiring voting rights of the Company, with an aim to obtain or consolidate control of the Company.

## Chapter 8 Shareholders' General Meeting

**Article 61** The shareholders' general meeting is the organ of authority of the Company and shall exercise its functions and powers in accordance with law.

**Article 62** The shareholders' general meeting shall have the following functions and powers:

- (1) to make resolution on the Company's business policies and investment plans;
- (2) to elect and replace Directors and Supervisors that are not employee representatives and make resolution on matters relating to their remuneration;
- (3) to consider and approve the reports of the Board;
- (4) to consider and approve the reports of the Board of Supervisors;
- (5) to consider and approve the Company's proposed annual financial budgets and final account plans;
- (6) to consider and approve the Company's profit distribution plans and deficit deduction plans;
- (7) to resolve on the increase or reduction of the Company's registered capital;
- (8) to resolve on the issuance of debentures, any kind of securities, warrants or other similar securities by the Company;
- (9) to pass resolutions on matters such as the merger, division, dissolution, liquidation or change of the corporate form of the Company;
- (10) to amend the Articles of Association;
- (11) to consider the motions raised by shareholders who represent 3% or more of the total number of voting shares of the Company;
- (12) to resolve on the engagement, re-appointment or termination of engagement of the accountants of the Company;
- (13) to resolve on the guarantees specified in Article 63 of the Articles of Association;
- (14) to consider the acquisition or disposal of significant assets within one year which account for more than 30% of the latest audited total assets of the Company;

- (15) to consider and approve the share incentive scheme;
- (16) to resolve the repurchase of the Company's shares;
- (17) to consider other matters which, according to the laws, administrative regulations and the Articles of Association, should be resolved by the shareholders at the shareholders' general meetings;
- (18) to consider other matters as required by the listing rules of the stock exchange where the Company's shares are listed.

The shareholders' general meeting may authorise or delegate the Board to deal with matters as authorised and instructed at the general meetings.

**Article 63** The following external guarantees to be provided by the Company shall be considered and approved by the shareholders' general meeting:

- (1) any provision of guarantee, where the total amount of external guarantees provided by the Company and its controlled subsidiaries reaches or exceeds 50% of the latest audited net assets;
- (2) any provision of guarantee, where the total amount of external guarantees provided by the Company reaches or exceeds 30% of the latest audited total assets;
- (3) provision of guarantee for anyone whose liability-asset ratio exceeds 70%;
- (4) provision of a single guarantee the amount of which exceeds 10% of the latest audited net assets;
- (5) provision of guarantee for third parties other than the Company and its controlled subsidiaries;
- (6) provision of guarantee to shareholders, de facto controllers and their connected parties.

"External guarantees" are the guarantees provided by the Company in favor of other persons, not including guarantees provided by the Company in favor of its subsidiaries. Abovementioned external guarantees to be approved at the shareholders' general meeting shall be considered and approved by the Board before submission to the shareholders' general meeting.

When the shareholders' general meeting is considering a proposal to provide guarantee for any shareholder, de facto controller or related party, the said shareholder or the shareholders controlled by the said de facto controller shall abstain from voting on the proposal, and the proposal shall be subject to approval by more than half of the voting rights of the other Shareholders attending the meeting.

**Article 64** Except for special circumstances such as the Company is in a crisis, the Company shall not, without the prior approval of shareholders by way of special resolution at the shareholders' general meeting, enter into any contract with any person other than a Director, a Supervisor and members of the senior management whereby the management of the whole or any substantial part of the business of the Company is to be handed over to such person.

**Article 65** Shareholders' general meetings comprise shareholders' annual general meetings and shareholders' extraordinary general meetings. The shareholders' annual general meetings shall be held once every year within 6 months since the end of the previous accounting year.

Shareholders' extraordinary general meetings shall be convened as and when necessary. Under any of the following circumstances, the Board shall convene an extraordinary shareholders' general meeting within 2 months from the occurrence thereof:

- (1) when the number of Directors is less than the number of Directors required by the Company Law or two-thirds of the number of Directors specified in the Articles of Association;
- (2) when the un-recovered losses of the Company amount to one third of the total amount of its paid-in share capital;
- (3) when shareholder(s) individually or jointly holding 10% or more of the Company's shares request(s) in writing the convening of an shareholders' extraordinary general meeting with the shareholding shall be calculated as of the day on which the written request is made;
- (4) when the Board considers necessary;
- (5) upon the request of the Board of Supervisors;
- (6) when more than 2 independent non-executive Directors so request; and

- (7) other situations stipulated by laws, administrative regulations, departmental rules, the listing rules of the stock exchange where the shares of the Company are listed or the Articles of Association.

In any of the circumstances referred to in (3), (4) and (5) above, the matter for consideration proposed by the party requesting the holding of the extraordinary's general meeting shall be included in the agenda of such meeting.

**Article 66** The Company shall convene the shareholders' general meeting at the domicile of the Company or such other place as the announcement by the shareholders' general meeting convener may specify.

Shareholders' general meetings will set meeting venue and be convened by ways of on-site meetings. The Company will also enable shareholders to have access to the shareholders' general meeting by other means as permitted by the Listing Rules of the place where the shares of the Company are listed. The shareholders that have participated in the shareholders' general meeting through access of any above mentioned means shall be deemed as having attended the meeting.

**Article 67** Convening of an shareholders' extraordinary general meeting or a class meeting requested by shareholder shall be proceeded in accordance with the procedures set forth below:

- (1) shareholders individually or jointly holding a total of 10% or more of the shares carrying the right to vote at the meeting sought to be held may sign one or more written requests of identical form and substance requesting the Board to convene an shareholders' extraordinary general meeting or a meeting of shareholders of different classes and state the subject of the meeting. The Board shall convene an shareholders' extraordinary general meeting or a class meeting as soon as possible after having received the above-mentioned written request. The shareholding referred to above shall be calculated as of the day on which the written request is made;
- (2) if the Board fails to issue an announcement on the convening of meeting within 30 days after receiving the above-mentioned written request, the proposing shareholders are entitled to submit a written request to the Board of Supervisors on the convening of shareholders' extraordinary general meeting or meeting of the class shareholders.

- (3) if the Board of Supervisors fails to issue an announcement on the convening of meeting within 30 days after receiving the above-mentioned written request, the shareholders individually or collectively representing 10% or more of the Company's voting shares at the proposed meeting for at least consecutive 90 days may convene the meeting on their own within four months after the Board receives the request. The convening procedures shall be the same as the procedures for the convening of shareholders' general meeting by the Board.

Where shareholders convene and hold a meeting because the Board and the Board of Supervisors failed to hold such meeting pursuant to a request as mentioned above, the reasonable expenses incurred by such meetings shall be borne by the Company and shall be deducted from the sums owed by the Company to the negligent Directors and Supervisors.

**Article 68** When the Company convenes an shareholders' annual general meeting, the Board, the Board of Supervisors, or shareholder(s) individually or jointly holding 3% or more of the total voting shares in the Company shall be entitled to propose motions in writing to the Company.

Shareholder(s) individually or jointly holding 3% or more of the total voting shares of the Company shall be entitled to propose an interim resolution and submit the same to the convener. The convener shall issue a supplemental announcement of shareholders' general meeting within 2 days after the receipt of such proposal and submit such interim resolution to the shareholders' general meeting for consideration and approval. The contents of an interim resolution shall fall within the authority of the shareholders' general meeting and maintain topics for discussion and specific matters to be resolved.

**Article 69** To convene a shareholders' general meeting, the Company shall give written announcements 45 days before the date of the meeting (including the date), informing all registered shareholders of the matters proposed to be considered at the meeting and the date and place of the meeting. Shareholders who will attend the meeting shall return the written replies of attendance to the Company 20 days before the date of the meeting. The calculation of the starting date shall exclude the day when the meeting is held.

The announcement of a shareholders' general meeting shall be served on the shareholders (whether or not entitled to vote at the meeting), by delivery or prepaid airmail to their addresses as shown in the register of shareholders. For the shareholders of domestic shares, announcement of the meeting may be issued by way of public announcement.

As stated above, the public announcement of announcements of shareholders' general meetings shall be published on one or more newspapers designated by the securities governing authority of the State Council 50 days to 45 days prior to the date of the meeting. Upon the publication of announcement, all shareholders of Domestic Shares shall be deemed to have received announcement of the relevant shareholders' meeting. The announcement of a shareholders' general meeting served on the shareholders of overseas listed foreign shares shall be published through the website of or on one or more newspapers designated by the Hong Kong Stock Exchange. Upon the publication of announcement, all shareholders of overseas listed foreign shares shall be deemed to have received announcement of the relevant shareholders' general meeting.

**Article 70** The Company shall calculate, according to the written replies received 20 days before the date of the meeting, the number of shares carry voting rights that the shareholders attending the meeting represent. The Company may convene a shareholders' general meeting if the number of shares carrying voting rights represented by shareholders intending to attend attains more than one half of total number of shares carrying voting rights. If not, the Company shall make an announcement, within 5 days, once again notifying the shareholders of the matters proposed to be considered and the date and place of the meeting. Once an announcement has been so made, the Company may convene the shareholders' general meeting.

An shareholders' extraordinary general meeting may not make resolution on matters not specified in the above mentioned announcement.

**Article 71** An announcement of shareholders' general meetings:

- (1) shall be in writing;
- (2) specify the time, place and the date of the meeting;
- (3) state the matters to be discussed at the meeting;
- (4) provide such information and explanation as are necessary for the shareholders to exercise an informed judgment on the proposals, including (but not limited to) where the proposal in relation to merger, share repurchase, reorganization of share capital or other kind of reorganization provide the terms of the proposed transaction in detail together with copies of the proposed agreement, if any, and explain in serious manner the reasons for and consequences of such proposal;

- (5) contain a disclosure of the nature and extent, if any, of material interests of any Director, Supervisor, or senior management in the transaction proposed and the effect of the proposed transaction on them in their capacity as shareholders in so far as it is different from the effect on the interests of other shareholders of the same class;
- (6) contain the text of any special resolution proposed to be passed at the meeting;
- (7) contain a conspicuous statement that a shareholder entitled to attend and vote is entitled to appoint one or more proxies to attend and vote instead of him and that a proxy need not be a shareholder;
- (8) specify the time and place for lodging proxy forms for the relevant meeting.

**Article 72** The accidental omission to give the announcement of shareholders' general meeting to, or the non-receipt of the announcement of shareholders' general meeting by, any persons entitled to receive such announcement shall not invalidate the meeting and the proceedings at that meeting.

**Article 73** Any shareholder entitled to attend and vote at a shareholders' general meeting shall be entitled to appoint one or more persons (whether or not a shareholder) as his/her proxy to attend and vote on his/her behalf. A proxy so appointed shall be entitled to exercise the following rights in accordance with the authorisation from that shareholder:

- (1) the shareholder's right to speak at the meeting;
- (2) the right to demand, whether on his/her own or together with others, a poll;
- (3) to exercise the right to vote by a show of hands or by poll; however, if more than one proxy is appointed by a shareholder, such proxies shall only exercise the right to vote on a poll.

**Article 74** The instrument appointing a proxy shall be in writing under the hand of the appointer or his/her attorney duly authorized in writing, or if the appointer is a legal person either under seal or under the hand of a Director or attorney duly authorized.



**Article 75** An instrument appointing a proxy shall be deposited at least 24 hours prior to the commencement of the relevant meeting at which the proxy is appointed to vote or 24 hours before the time appointed for voting at the domicile of the Company or such other place as the announcement of meeting may specify. If the instrument appointing a proxy is signed by a person authorized by the appointer, the powers of attorney or other instruments of authorisation shall be notarised. The powers of attorney or other instruments of authorisation so notarised together with the proxy form shall be deposited at the domicile of the Company or such other place as the announcement of meeting may specify at the same time as the instrument appointing the proxy is so deposited.

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

Where the shareholder is a recognised clearing house (or its proxy) defined by the Hong Kong relevant Ordinance from time to time, the shareholder may authorise one or more persons it considers appropriate as its representative(s) at any shareholders' general meeting or any category shareholders meeting; however, if more than one person are authorised, the power of attorney shall contain the number and class of shares for which such persons are authorised, and shall be signed by an authorised personnel of the recognised clearing house. The person(s) so authorised can represent the recognised clearing house (or its proxy) to attend the meeting and exercise its right, as if the persons are the Company's individual shareholders, and shall not be required to produce evidence of shareholding, the notarised power of attorney and/or further evidence to prove that he/she/they have been duly authorised.

**Article 76** Any form issued to a shareholder by the Board for the purpose of appointing a proxy shall be such as to enable the shareholder, according to his/her free will, to instruct his/her proxy to vote in favor of or against the motions proposed and in respect of each individual matters to be voted on at the meeting. Such a form shall contain a statement that in the absence of instructions from the appointer, the proxy may vote as he/she thinks fit.

Save as provided above, the proxy form shall also contain the following: number of shares represented by and name of the proxy; whether voting power is granted to the proxy; whether the proxy is entitled to votes for the interim resolution proposed at any shareholders' general meeting; instruction of voting if voting power granted; date of appointing a proxy and the effective period for such appointment. Where a shareholder appoints more than one proxy, he/she shall specify the number of shares represented by each proxy in the proxy form.

Where the meeting is attended by proxy, he shall produce the identification card and letter of authorisation signed by the appointer or its legal representative which indicates the date of appointing. Where corporate shareholder appoints its legal representative to attend the meeting, the legal representative shall produce the identification card and the copy of the notarized certified resolutions of the Board appointing the said legal representative or other authorities or other certified copy permitted by the Company.

**Article 77** A vote given by a proxy in accordance with the terms of an instrument of proxy shall remain valid notwithstanding the death or loss of capacity of the appointer or revocation of the proxy or of the authority granted by the executed proxy, or the transfer of the shares in respect of which the proxy is given, provided that no announcement in writing of such aforesaid issues shall have been received by the Company before the commencement of the meeting.

**Article 78** A shareholders' general meeting shall be convened and chaired by the chairman of the Board. If the chairman of the Board is unable to or fails to perform his/her duties, the Board may appoint a Director to convene and chair a shareholders' general meeting on behalf of the chairman of the Board. If no chairman of a meeting is appointed, shareholders present at the meeting may choose one person to be a chairman of the meeting. If no chairman of the meeting is elected by shareholders for any reason, the shareholder present at the meeting (including his/her proxy) holding the largest number of voting shares shall be the chairman of such meeting.

A shareholders' general meeting convened by the Board of Supervisors shall be presided over by the chairman of the Board of Supervisors. If the chairman of the Board of Supervisors is unable or fails to perform his/her duties, a Supervisor elected by more than half of Supervisors shall preside over the meeting.

A shareholders' general meeting convened by the shareholders themselves shall be presided over by a representative nominated by the convening shareholders.

When a shareholders' general meeting is held and the chairman of the meeting violates the rules of procedures such that the shareholders' general meeting cannot proceed, a person may be elected to preside over the meeting, subject to approval of shareholders entitled to more than half of the voting rights present at the meeting. If no chairman of the meeting is elected by shareholders for any reason, the shareholder present at the meeting (including his/her proxy) holding the largest number of voting shares shall be the chairman of such meeting.

**Article 79** Resolutions of shareholders' general meetings are divided into ordinary resolutions and special resolutions.

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

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

A shareholder present at a shareholders' general meeting (including proxy) shall indicate his/her voting intention whether he/she would vote for or against those matters which are put to the vote. No blank votes and abstention votes will be counted as valid votes for the purpose of votes counting, but such number of the votes will be counted in the calculation of passing rate of the total number of the votes.

**Article 80** Shareholders (including proxies) when voting at a shareholders' general meeting may exercise voting rights in accordance with the number of shares carrying the right to vote and each share shall have one vote. However, the shares held by the Company shall carry no right to vote and shall not be counted into the total number of shares carrying the right to present and vote at a shareholders' general meeting. When the shareholders' general meeting is reviewing matters concerning connected transactions, the connected shareholders may not vote and the shares they held shall not be counted into the effective total voting shares.

If any shareholder is required to abstain from voting or may only vote for or against a matter pursuant to the applicable laws and regulations and the Listing Rules, any vote by such shareholder or his/her proxy in violation of such rules or restrictions shall not be counted in the voting results.

**Article 81** At any shareholders' general meeting a resolution shall be passed by a show of hands subject to any requirement of laws, administrative regulations, the relevant regulatory authorities or the Listing Rules in the place where the Company's shares are listed, unless a poll is demanded by the following persons prior to or after a show of hands:

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

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

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

**Article 82** A poll demanded on the election of the chairman of the meeting, or on a question of adjournment of the meeting, shall be taken forthwith. A poll demanded on any other matter shall be taken at such time as the chairman of the meeting directs, and the meeting may proceed to discuss other matters, while the result of the poll shall still be deemed to be a resolution of that meeting.

**Article 83** On a poll taken at a meeting, a shareholder (including his/her proxy) entitled to two or more votes need not cast all his/her votes in the same way.

**Article 84** In the case of an equality of votes, the chairman of the meeting shall be entitled to an additional vote, whether by a show of hands or by a poll.

**Article 85** The matters which require the sanction of an ordinary resolution at a shareholders' general meeting shall include:

- (1) work reports of the Board and the Board of Supervisors;
- (2) plans for the distribution of profits and for making up losses proposed by the Board;
- (3) the election and removal of the members of the Board and the Board of Supervisors (except for employee representative supervisors), their remuneration and method of payment;
- (4) the annual budget and final account report, balance sheet, profit and loss statement and other financial statement of the Company;
- (5) all other matters except those required to be adopted by special resolution as required by the laws and regulations or the Articles of Association.

**Article 86** The matters which require the sanction of a special resolution at a shareholders' general meeting include:

- (1) the increase in or reduction of registered share capital, issue of any class of shares, warrants and other similar securities of the Company;
- (2) the issue of debentures;
- (3) the division, merger, dissolution or liquidation;
- (4) the change of the form of the Company;
- (5) the matters that the amount the Company's purchasing, selling or warranting in one year over that of 30 percent of the recent audited total assets;
- (6) amendments to the Articles of Association;
- (7) consider and implement motions on equity incentive plan;
- (8) other important matters which were required by the laws and administrative regulations or by the Articles of Association and adopted by passing ordinary resolutions at shareholders' general meetings that are required to be adopted by special resolutions;
- (9) other matters required by the Listing Rules to be adopted by special resolution.

**Article 87** All Directors, supervisors and other senior management shall attend the shareholders' general meeting if being requested. The Directors, Supervisors and other senior management shall make replies or explanation to the inquiries and suggestions of shareholders at the shareholders' general meeting, unless the same that relate to business secrets of the Company shall not be disclosed.

**Article 88** The chairman of the meeting shall decide whether or not a resolution is passed. His/her decision shall be final and shall be announced at the meeting and recorded in the minutes of the meeting.

**Article 89** At a shareholders' general meeting, the approach and procedures for nomination of candidates for Directors and Supervisors are as follows:

- (1) shareholder(s) severally or jointly holding more than 3% of the total outstanding issued voting shares of the Company may, by way of a written proposal, put forward to the shareholders' general meeting the candidates for Directors and supervisors (not being employee representatives). However, the number of candidates proposed shall comply with the provisions of the Articles of Association, and shall not be more than the number to be elected. The aforesaid proposal put forward by shareholders to the Company should be served to the Company at least 14 days before the convening of the shareholders' general meeting.
- (2) within the number of head count as specified by the Articles of Association and based on the proposed number of candidates to be elected, the Board and the Board of Supervisors may propose a list of recommended candidates for Directors and Supervisors, which shall be submitted to the Board and the Board of supervisors for review. And after the review, the Board and Board of Supervisors should proposed at a shareholders' general meeting by way of a written proposal on the candidates for Directors and Supervisors.
- (3) the written materials of the intention to propose a candidate for election as a Director or a Supervisor, the acceptance of such candidate of his/her willingness to be nominated and the detailed information in written form of the nominated candidate shall be given to the Company no less than seven days prior to the date of holding the shareholders' general meeting. The Board and the Board of Supervisors shall provide shareholders with bibliographical details and basic information of the candidates for Directors and Supervisors.
- (4) the period given by the Company to nominees and nominees for providing the aforesaid announcement and documents shall be no less than seven days (such period shall commence from the day following the date of serving the announcement of convening the shareholders' general meeting).
- (5) at the shareholders' general meeting, voting for each candidate for a Director and Supervisor shall be taken on a one-by-one basis.
- (6) in the case of any need of addition to or change in any Director or Supervisor, the Board or the Board of Supervisors shall be responsible for putting forward a proposal to the shareholders' general meeting for the selection or change of a Director or Supervisor.

**Article 90** If the chairman of the meeting has any doubts about the result of a resolution put to the vote, he/she may count the number of votes cast. If the chairman of the meeting has not counted the votes, a shareholder or proxy attending the meeting who challenges the result announced by the chairman of the meeting shall have the right to request counting of votes immediately after such announcement, and the chairman of the meeting shall count the votes immediately.

**Article 91** If votes counted at a shareholders' general meeting, the result of the counting shall be recorded in the minutes of the meeting.

The minutes of the shareholders' general meeting shall be signed by the Directors attending the meeting and chairing person of the meeting and shall be kept at the Company's domicile together with the signature book of the shareholders attending the meeting and the proxy forms.

**Article 92** Shareholders may examine photocopies of the minutes of meetings during the Company's office hours free of charge. If any shareholder demands from the Company a photocopy of relevant minutes of meetings, the Company shall send such photocopies within 7 days once his/her capacity as a shareholder has verified and the payment of reasonable charges received.

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

**Article 93** Shareholders who hold different classes of shares shall be class shareholders.

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

Where the capital of the Company includes non-voting shares, the name of such shares shall contain the term "non-voting right".

Where the share capital includes shares with different voting rights, the name of each class of shares (other than shares with most privileged voting rights) shall contain the term "restricted voting right" or "limited voting right".

**Article 94** Rights conferred on any class of shareholders in the capacity of shareholders may not be varied or abrogated unless approved by a special resolution of shareholders in shareholders' general meeting and by shareholders of shares of that class at a separate meeting conducted in accordance with provisions of Articles 96 to 100 of the Articles of Association.

No approval by a shareholders' general meeting or a class meeting is required for variation or abrogation of rights resulting from any change in domestic and foreign laws and administrative regulations and Listing Rules where the Company's shares are listed, or those resulting from decisions made by domestic and foreign regulatory institutions.

The shareholders of domestic shares of the Company referred to in Article 17 of the Articles of Association may transfer their shares to overseas investors and list the said shares overseas, which shall not be deemed to be a proposed variation or abrogation of the rights conferred on any class of shareholders.

**Article 95** The following circumstances shall be deemed to be a variation or abrogation of the class rights of a class shareholder:

- (1) to increase or decrease the number of shares of such class, or increase or decrease the number of shares of a class having voting or distribution rights or other privileges equal or superior to the shares of such class;
- (2) to effect an exchange of all or part of the shares of such class into those of another class or to affect an exchange or create a right of exchange of all or part of the shares of another class into the shares of such class;
- (3) to remove or reduce rights to accrued dividends or rights to cumulative dividends of such class;
- (4) to reduce or remove the rights attached to shares of such class to have priority in receiving dividends or in receiving distribution of assets in the event that the Company is liquidated;
- (5) to add, remove or reduce conversion, options, voting, transfer or pre-emptive rights or rights to acquire securities of the Company of such class;
- (6) to cancel or reduce rights of such class of shares to receive payments from the Company in any particular currency;
- (7) to create a new class of shares having voting or distribution rights or privileges equal or superior to the shares of such class;
- (8) to restrict the transfer of ownership of the shares of such class or to increase any such restrictions;
- (9) to issue rights to subscribe for, or convert into, shares in the Company of such class or another class;



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

**Article 96** Shareholders of the affected class, whether or not having the right to vote at shareholders' general meetings, shall nevertheless have the right to vote at class meetings in respect of matters concerning paragraphs (2) to (8), (11) and (12) in the Articles of Association, but interested shareholder(s) shall not be entitled to vote at class meetings.

The meaning of an "interested shareholder" stated above is:

- (1) in the case of a repurchase of shares by offers to all shareholders in the same proportion or public dealing on a stock exchange in accordance with the provisions of Article 30 of the Articles of Association, an interested shareholder is a controlling shareholder within the meaning of Article 60 in the Articles of Association;
- (2) in the case of a repurchase of shares by an off-market contract under Article 30 of the Articles of Association, an interested shareholder is a shareholder to whom the proposed contract is related;
- (3) in the case of a restructure of the Company, an interested shareholder is a shareholder within a class who bears less than a proportionate amount of obligations imposed on the shareholders of that class or who has an interest different from the interest of the other shareholders of that class.

**Article 97** Resolutions of a class of shareholders shall require the approval of shareholders representing more than two thirds of the voting rights of that class voting in favor of such resolutions in accordance with Article 96 of the Articles of Association.

**Article 98** Written announcement of a class meeting shall be given by the Company 45 days prior to the date of the meeting to notify all the registered shareholders holding shares of that class of the matters to be considered at the meeting and the date and place of the meeting. A shareholder who intends to attend the meeting shall deliver a written reply confirming his/her attendance at the class meeting to the Company 20 days prior to the date of the meeting. The quorum for a separate class meeting (other than an adjourned meeting) to consider a variation of the rights of any class of shares shall be the shareholders of at least one-third of the issued shares of that class.

The Company can convene a class shareholders' meeting, if the number of shares of the class carrying voting rights represented by shareholders intending to attend represents more than one half of the total number of such shares of the Company. If not, the Company shall make an announcement, within 5 days, once again notifying the shareholders of the matters proposed to be considered and the date and place of the meeting. Once an announcement has been so made, the Company may convene the class shareholders' meeting.

**Article 99** Announcement of class meetings need only be served on shareholders entitled to vote thereat.

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

**Article 100** In addition to shareholders of other class shares, holders of domestic shares and overseas listed foreign shares are deemed to be shareholders of different classes. Voting by shareholders of different classes of shares is not required in the following situations:

- (1) where the Company issues, upon the approval by special resolution of its shareholders in shareholders' general meeting, either separately or concurrently once every 12 months, not more than 20% of each of its existing issued domestic shares or overseas listed foreign shares;
- (2) where the Company completes, within 15 months from the date on which approval is given by the securities regulatory authorities of the State Council, its plan (made at the time of its establishment) to issue domestic shares and foreign shares; and
- (3) where shares held by shareholders of domestic shares may be transferred to overseas investors, and such transferred shares may be listed or traded on an overseas stock exchange, subject to the approval of the State Council or its authorized organ.

## **Chapter 10 Directors and Board of Directors**

### **Section 1 Directors**

**Article 101** Directors shall be elected and replaced at shareholders' general meetings and serve a term of 3 years. A Director may serve consecutive terms if re-elected upon the expiration of his/her term.

Any person appointed by the Board to fill up a casual vacancy in the Board or as an addition to the Board shall hold office only until the next shareholders' annual general meeting of the Company and shall then be eligible for re-election.

Subject to the relevant laws and administrative regulations, Directors can be removed before the expiration of his/her term of office (but without prejudice to any claim for damages under any contracts) by an ordinary resolution passed at a shareholders' general meeting.

A written announcement of the intention to propose a person for election as a Director and a written announcement showing such person is willing to be elected shall be given to the Company after the publish of shareholders' general meeting announcement, and at least 7 days before the date of the shareholders' general meeting.

**Article 102** Directors may resign before expiry of their terms of office. The Directors who resign shall submit to the Board a written report in relation to their resignation.

In the event that the resignation of any Director during his/her term of office results in the number of members of the Board being less than the statutory minimum requirement, the existing Directors shall continue to perform their duties in accordance with laws, administrative regulations and departmental rules and the Articles of Association until the re-elected Directors assume their office.

Save for the circumstances referred to in the preceding paragraph, the resignation of a Director becomes effective upon submission of his/her resignation report to the Board.

**Article 103** A Director shall clear all transitional procedures with the Board on resignation or expiry of term and shall fulfill his/her fiduciary obligations against the Company and shareholders. The obligations shall not be dismissed automatically after the expiry of term and remains effective within the reasonable period specified by the Articles of Association. The confidentiality duty shall still be binding for the Director after his/her resignation or expiry of his/her term until relevant confidential information enters the public domain.

**Article 104** Any Director who fail twice consecutively to attend a board meeting in person or to appoint other Directors as proxy to attend the meeting on his/her behalf shall be deemed as not performing his/her duties. In such a case, the Board shall recommend to the shareholders' general meeting for his/her removal and replacement accordingly.

**Article 105** The Company has appointed Independent Directors. Unless otherwise required in this section, the provisions relating to the qualifications and obligations of Directors set out in chapter 14 of the Articles of Association shall be applicable to Independent Directors.

**Article 106** Any Director who violates any laws, administrative regulations, departmental rules or the Articles of Association due to termination of his/her term without permission or during the course of performing his/her duties shall be liable for compensation to any loss caused to the Company.

**Article 107** No Director shall act on behalf of the Company or the Board without the requirement of the Articles of Association or the lawful authorisation of the Board. In the event that a Director is acting on his/her behalf, which may be reasonably deemed to be acting on the behalf of the Company or the Board by a third party, such Director shall state his/her stance and identity in advance.

## **Section 2 Board of Directors**

**Article 108** The Company shall establish a Board. The Board shall comprise nine Directors, including 3 Independent Directors. Independent Directors may report directly to the shareholders' general meeting, the securities regulatory authorities of the State Council and other relevant regulatory departments.

The general manager or other senior management may concurrently serve as a Director, provided that the aggregate number of the Directors who concurrently serve as general manager or other senior management shall not exceed one half of all the Directors of the Company.

The Board shall appoint one chairman and several vice Chairmen. The chairman and vice Chairmen of the Board shall be elected or removed by more than one half of all of the Directors. The term of office of the chairman and vice Chairmen shall be 3 years and is renewable upon re-election.

A Director is not required to hold any shares in the Company.

**Article 109** The Board exercises the following powers:

- (1) to be responsible for convening shareholders' general meetings, to propose at a shareholders' general meeting to pass the relevant matters and to report on its work to the shareholders' general meeting;
- (2) to implement the resolutions of the shareholders' general meetings;
- (3) to make resolution on the Company's business plans and investment plans;
- (4) to formulate the Company's proposed annual preliminary and final financial budgets;
- (5) to formulate the Company's profit distribution plan and plan for recovery of losses;
- (6) to formulate proposals for increases or reductions of the Company's registered share capital and issue and listing of corporate debentures or other securities;
- (7) to draw up plans for the material asset acquisition or disposal, repurchase of shares of the Company or merger, division, dissolution and alteration of corporate form of the Company;

- (8) to make resolution on the establishment of the Company's internal management structure;
- (9) to appoint or remove the Company's general manager and secretary of the Board, to appoint or remove other senior management, and to determine the abovementioned matters relating to the remuneration, incentives and punishments of the senior management;
- (10) to formulate the Company's basic management system;
- (11) to formulate proposals for any amendment to the Articles of Association;
- (12) to make resolution on the matters such as merger, division, reorganisation or dissolution of our Company's wholly-owned subsidiaries and subsidiaries;
- (13) to change the use of proceeds to the extent beyond the decision of the shareholders' general meeting as required by laws and regulations;
- (14) to make resolution on the establishment of special committees under the Board and to appoint or remove its person-in-charge;
- (15) to propose at shareholders' general meetings a resolution in respect of candidates for Independent Directors and replacement of Independent Directors;
- (16) to propose at shareholders' general meetings for the appointment, renewal or remove of accountants conducting auditing for the Company;
- (17) to review the work report and inspect the work of the general manager;
- (18) to manage information disclosure of the Company;
- (19) to formulate the equity incentives plan;

(20) to exercise decision-making power on issues in respect of external investment (including increase in investment and equity transfer), financing, venture investment, entrusted wealth management, provision of external guarantees, save and except for those decisions to be decided by the shareholders' general meeting pursuant to the law, regulations and the Articles of Association;

1. The decision-making power of the Board the external investment, acquisition or sale of assets, pledge of assets, entrusted financial management and financing is limited to external investment, acquisition or sale of assets, pledge of assets, entrusted financial management or financing with a single amount of exceeding 10% and below 30% of the most recently audited total assets, the implementation of which is subject to the approval of the Board. And those with a single amount below 10% of the most recently audited total assets shall be decided by the management of the Company. If the approval procedures for the external investment, acquisition or sale of assets, pledge of assets, entrusted financial management and financing otherwise specified in the applicable laws, regulations and Listing Rules, such laws, applications, and Listing Rules shall apply.
2. The Company may conduct its securities investment (securities investment activities include new share placing, subscription, repurchase of securities, shares and its derivative in the secondary market investment, convertible bonds investment, entrusted financial management). The total amount for securities investment of the Company exceeding 10% of the most recently audited total assets, with the absolute amount being more than RMB10,000,000, shall be subject to the approval of the Board before making investment, and the total amount for securities investment of the Company exceeding 50% of the most recently audited total assets, with the absolute amount being more than RMB50,000,000, shall be submitted to the shareholders' general meeting for review. If the approval procedures for securities investment of the Company otherwise specified in the applicable laws, regulations and Listing Rules, such laws, applications, and Listing Rules shall apply.

3. The decision-making power of the Board to the external guarantees is: the Board shall make resolution on the external guarantees except for those specified in Articles 63; and the external guarantees set forth in the Article 63 shall be submitted by the Board at the shareholders' general meeting for approval.
  4. As for connected transactions of the Company, the Company shall undergo corresponding approval procedures according to the applicable laws and regulations, and relevant requirements of the Listing Rules.
- (21) to formulate and review the corporate governance policy and practices of the Company;
  - (22) to review and supervise the training and continuing professional development of Directors, Supervisors and senior management;
  - (23) to review and supervise the policies and practices of the Company in compliance with legal and regulatory requirements;
  - (24) to formulate, review and supervise the code of conduct and compliance manual (if any) applicable to employees and Directors;
  - (25) to review the Company's compliance with the Code on Corporate Governance Practices as set out in the Listing Rules and disclosure in the Corporate Governance Report;
  - (26) to make resolution on other major affairs of the Company, save for matters to be resolved at shareholders' general meetings as required by the Company Law and the Articles of Association;
  - (27) other powers conferred by the Articles of Association or the shareholders' general meetings;
  - (28) other matters as required by the PRC laws and regulations.

Except the resolutions of the Board in respect of the matters specified in item (6), (7) and (11) above, which shall be passed by two-thirds or more of the Directors, the resolutions of the Board in respect of all other matters may be passed by more than half of the Directors.

Related Directors shall not vote when the board meeting considers such connected transaction.



**Article 110** The Board shall not, without the approval of shareholders in shareholders' general meeting, dispose or agree to dispose of any fixed assets of the Company where the aggregate value of the consideration for the proposed disposition and for the fixed assets of the Company having been disposed of in the period of four months immediately preceding the proposed disposition exceeds 33% of the value of the Company's fixed assets as shown in the last balance sheet placed before the shareholders in shareholders' general meeting.

For the purposes of this Article, disposition of fixed assets includes an act involving a transfer of an interest in assets, however excluding providing security by fixed assets.

The validity of a transaction for the disposition of fixed assets by the Company shall not be affected by a breach of the first paragraph of this Article.

**Article 111** The chairman of the Board shall exercise the following authorities:

- (1) to preside over shareholders' general meetings and to convene and preside over board meetings;
- (2) to supervise and check on the implementation of resolutions passed at the meeting of the Board;
- (3) to sign share certificates, bonds and other marketable securities of the Company;
- (4) to sign important documents of the Board and other documents that shall be signed by the legal representative of the Company and to exercise the authorities of legal representatives;
- (5) to define the systems necessary for the operation of the Board, and coordinate its operation;
- (6) to hear regular and non-regular performance reports from the Company's senior management, and to provide the Board with steering comments on the implementation of Board resolutions;
- (7) to nominate a candidates for the position as secretary of the Board;
- (8) to exercise other powers as authorized by the laws, regulations or the Articles of Association or the Board.

Where the chairman of the Board is unable to perform his/her duties, a majority of the Directors may jointly elect a Director to perform his/her duties.

**Article 112** At least four regular meetings of the Board shall be held in each year. Meetings of the Board shall be convened by the chairman of the Board.

Under the following circumstances, an extraordinary board meeting may be held within 10 days by the chairman of the Board upon proposal:

- (1) by shareholders representing more than one-tenths of the voting rights;
- (2) by more than one-third of Directors;
- (3) when the chairman of the Board considers necessary;
- (4) by more than two Independent Directors;
- (5) by the Board of Supervisors;
- (6) by the general manager to hold an interim board meeting.

**Article 113** Notice of board meetings shall be given to all Directors and Supervisors 14 days prior to the regular meetings, and 3 days prior to the interim board meetings. By written consent of all Directors present at the meeting, the above time limit may not be observed. The office of the board or other departments designated by the Board shall give notice in writing affixed with its seal to each Director and Supervisor by hand, fax, e-mail or other means.

Where an interim board meeting needs to be convened in emergency, the notice of meeting may be sent by telephone or by other verbal means, but the convener shall explain such situation at the meeting.

**Article 114** The meeting notice shall be deemed to be delivered to such Director if he/she presents at the meeting and does not raise the issue of the non-receipt of such announcement prior to his/her arrival at the meeting or the commencement of the meeting.

The regular or interim meetings of the Board can be held by conference call or other similar communication equipment, for so long as the attending Directors are able to hear clearly other Directors' speech at the meeting and to communicate among themselves. All attending Directors shall be considered as being present at the meetings.

**Article 115** Board meetings shall be held only if more than half of the Directors are present.

Each Director shall have one vote. Unless otherwise provided by laws, administrative regulations or the Articles of Association, resolutions of the Board shall be passed by more than half of all Directors.

Where the numbers of votes cast for and against a resolution are equal, the chairman of the meeting shall have one casting vote.

A Director shall also not vote (or be counted in the quorum at a meeting) on any resolution relating to any contract or arrangement or other proposal in which he or any of his/her associates has an interest and, if he purports to do so, his/her vote shall not be counted, unless permitted by laws, administrative regulations, the rules or regulations of the relevant regulatory bodies.

**Article 116** A board meeting shall be attended by the Directors in person. If a Director is unable to attend, he may appoint in writing another Director to attend on his/her behalf. The authorisation letter shall specify the scope of authorisation.

The appointed Director who attends the meeting shall exercise such Director's right within the scope of authorisation. If a Director is unable to attend the board meeting in person and has not appointed a representative to attend the meeting, he/she shall be deemed to abstain from voting at such meeting.

**Article 117** Any material matters to be decided by the Board must be proceeded strictly as specified procedure. A announcement shall be given to all Directors at the time required by the Articles of Association and sufficient information shall be given at the same time. The Directors may request additional information. When more than a quarter of Directors or two or more of Independent Directors consider that the information of the matters are not sufficient or for other grounds for an informed decision, they may jointly propose to postpone the meeting or delay the discussion of certain resolved matters in the board meeting, and the Board shall adopt the relevant proposal.

**Article 118** The Board may approve the written resolutions in lieu of convening board meetings, but the draft of such resolutions shall be delivered to each Director through personal delivery, post, telegraph, facsimile or e-mail. Such resolution will be passed as a resolution of the Board, only after it has been delivered to all Directors by the Board, signed and approved by the required quorum of the Directors and delivered to the secretary to the Board by one of the aforesaid means, and then the board meeting shall not be convened.

**Article 119** The Board shall prepare the minutes to record the decisions made concerning the matters considered at the board meetings, which shall be signed by the attending Directors and the recorder. The Directors shall be responsible for the resolutions passed at the board meetings. Any Director who votes for a board resolution which contravenes any laws, administrative regulations or the Articles of Association and which results material losses of the Company, shall be responsible for the liabilities of compensation. A Director who votes against such resolution, and has been proved as having expressed dissenting opinions on such resolution and such opinions having been recorded in the minutes of the meeting can be exempt from liability.

### **Section 3 Special Committees under the Board**

**Article 120** The Board shall establish special committees such as nomination committee, remuneration and appraisal committee and audit committee in accordance with the needs and the requirements of the relevant laws and regulations and Listing Rules. The composition, terms of reference and rules of procedure of the special committees under the Board shall be otherwise agreed by the Board. A special committee is the special body under the Board and is responsible for providing advice or recommendations in respect of material decisions to the Board or exercises its decision-making rights under authority of the Board.

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

**Article 121** The Company shall have a secretary of the Board, who is a senior management of the Company.

**Article 122** The secretary of the Board shall be a natural person who has the requisite professional knowledge and experience, and shall be nominated by the chairman of the Board, appointed or removed by the Board. Primary responsibilities of the Secretary of the Board include:

- (1) to ensure that the Company has complete organisational documents and records; to keep and manage shareholders' materials; to assist the Directors in addressing the routine tasks of the Board, to keep the Directors informed and alerted about any regulation, policy and other requirements of domestic and foreign regulators and ensure that the Directors and the general manager observe domestic and foreign laws and regulations as well as the Articles of Association and other related regulations when performing their duties and responsibilities;
- (2) to organize and arrange for the board meetings and shareholders' general meetings, prepare meeting materials, handle relevant meeting affairs, be responsible for keeping minutes of the meetings and ensure their accuracy, keep meeting documents and minutes and take initiative to keep up with the implementation of relevant resolutions; to report any important issues occurred during the implementation and make relevant proposals to the Board;
- (3) to ensure the material matters decided by the Board of the Company to be carried out strictly in accordance with the procedures as stipulated; at request of the Board, to participate in the organisation of consultation on and analysis of the matters to be decided by the Board and offer relevant opinions and suggestions; to handle the day-to-day affairs of the Board and its committees as authorised;
- (4) to be responsible for organizing the preparation for prompt submission of the documents required by the regulatory authorities, and for accepting and organizing the implementation of any assignment from the regulatory authorities as the contact person of the Company with the securities regulatory authorities;

- (5) to be responsible for coordinating and organizing the Company's disclosure of information, to establish and improve the information disclosure system, to participate in all of the Company's meetings involving the disclosure of information, and to keep informed of the Company's material operation decisions and related information in a timely manner;
- (6) to be responsible for keeping the Company's price-sensitive information confidential and working out effective and practical confidentiality systems and measures; where there is any disclosure of the Company's price-sensitive information due to any reason, to take necessary remedial measures, make timely explanation and clarification, and submit relevant reports to the stock exchange of the place where the shares of the Company are listed and the CSRC;
- (7) to be responsible for coordinating reception of visitors, keeping in touch with news media, coordinating replies to inquiries from the public, handling the relationships with intermediaries, regulatory authorities, media and organizing the reporting of the related matters to the CSRC;
- (8) to ensure the proper maintenance of the Company's share register, so as to ensure the persons who are entitled to obtain the relevant records and documents of the Company are able to obtain the same on a timely basis;
- (9) to assist Directors and the general manager in duly implementing the domestic and foreign laws, regulations, the Articles of Association and other provisions in the course of discharging their duties, and upon becoming aware that the Company has passed or may pass resolutions which may breach the relevant regulations, to be obligated to immediately remind the Board, and be entitled to report such facts to the CSRC and other regulatory authorities;
- (10) to co-ordinate the provision of relevant information necessary for the Company's Board of Supervisors and other auditing authorities to discharge their duties; and to assist in carrying out investigation on the performance of the chief financial officer, Directors and the general manager of the Company of their fiduciary duties;
- (11) to exercise other functions and powers as conferred by the Board, as well as other functions and powers as required by the stock exchanges on which the Company's shares are listed.

**Article 123** Directors or senior management of the Company may act as the secretary of the Board, provided that he/she must devote sufficient efforts and time to perform the duties of the secretary of the Board. An accountant of the accounting firm engaged by the Company and management personnel of the controlling shareholders of the Company shall not act as the secretary of the Board.

In the event that a Director acts as the secretary of the Board and a certain act has to be performed separately by a Director and the secretary of the Board, such person who is both a Director and the secretary of the Board shall not perform such act in both capacities.

## **Chapter 12 The General Manager and Other Senior Management**

**Article 124** The Company shall have one general manager, who shall be engaged or dismissed by the Board; The Company shall have one chief financial officer and several deputy general managers, who shall be nominated by the general manager and engaged or dismissed by the Board. A Director may serve concurrently as the general manager or other senior management.

**Article 125** The general manager shall be accountable to the Board and shall exercise the following functions and powers:

- (1) to be in charge of the production, operation and management of the Company, and to report to the Board;
- (2) to organize the implementation of the resolutions of the Board, the annual business plans and investment plans of the Company;
- (3) to draft the plan of the Company's annual finance budgets and final accounts, and to propose to the Board;
- (4) to draft the basic management system of the Company and the plan for the establishment of the company's internal management organisation;
- (5) to formulate the specific rules and regulations of the Company;
- (6) to request the Board to employ or dismiss other senior management;
- (7) to make resolution on the employment or dismissal of management personnel other than those to be employed or dismissed by the Board;

- (8) to propose to convene extraordinary board meetings in case of emergence;
- (9) to make resolution on matters of the company such as investment, financing, contracts and transactions to the extent of powers delegated by the Board;
- (10) other functions and powers delegated by the Articles of Association or the Board.

**Article 126** The general manager attends meetings of the Board. The general manager has no voting right at a board meeting unless he is also a director.

**Article 127** In exercising his/her functions and powers, the general manager shall act honestly and diligently in accordance with laws, administrative regulations and the Articles of Association.

### **Chapter 13 Board of Supervisors**

**Article 128** The Company shall have a Board of Supervisors. The Board of Supervisors shall exercise supervision function in accordance with laws, administrative regulations and the Articles of Association.

**Article 129** The Board of Supervisors shall be composed of 3 members, one of whom shall be the chairman of the Board of Supervisors. The terms of office of Supervisors shall be 3 years, and eligible for re-election.

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

**Article 130** The members of the Board of Supervisors shall comprise two representatives of shareholders and one representative of employees. The election and removal of the representatives of shareholders shall be decided by shareholders in shareholders' general meeting, while the representative of employees shall be elected and removed by employee of the Company in the employees' congress, the general meeting of employees or other democratic ways.

**Article 131** The directors and the senior management of the Company shall not act concurrently as supervisors.



**Article 132** The Board of Supervisors shall be accountable to the shareholders' general meeting and exercise the following functions and powers:

- (1) to supervise the Directors and senior management in their performance of duties and to propose the removal of Directors and senior management who have contravened any law, administrative regulations, Articles of Association or shareholders' resolutions;
- (2) to demand any Director and other senior management of the Company who acts in a manner which is harmful to the Company's interests to rectify such behavior;
- (3) to examine the Company's financial status;
- (4) to propose to convene a shareholders' shareholders' extraordinary general meeting; and to convene and chair shareholders' general meeting in case the Board fails to fulfill the obligations of the Company Law to convene and chair the shareholders' general meeting;
- (5) to propose resolutions at a shareholders' general meeting;
- (6) to propose to convene an extraordinary board meeting;
- (7) to initiate legal proceeding against the Directors or senior management of the Company according to article 151 of the Company Law;
- (8) other functions and powers conferred laws, administrative regulations or the Articles of Association.

Supervisors shall present at board meetings.

**Article 133** Meetings of the Board of Supervisors shall be held at least once every 6 months and be convened by the chairman of the Board of Supervisors. Where the chairman of the Board of Supervisors is incapable of performing or fails to perform his/her duties, a supervisor elected by not less than half of the supervisors shall convene and preside over the Board of Supervisors meetings.

A supervisor can propose to convene an extraordinary board meeting of the Board of Supervisors.

To convene a board meeting, a written announcement shall be sent to all Supervisors 10 days prior to the date of a regular meeting and 2 days prior to an interim meeting by direct service, fax, e-mail or other means. By written consent of all Supervisors present at the meeting, the above time limit may not apply.

In case of urgency and an extraordinary meeting of the Board of Supervisors is required to be convened as soon as possible, the announcement of such meeting shall be given by telephone communication or other verbal means at any time provided that the convener of the meeting shall make relevant explanation at the meeting.

**Article 134** The method for conducting business for the Board of Supervisors: resolutions of the Board of Supervisors shall be made by voting on the basis of one-person-one-vote, conducted by way of, such as, casting written votes with the identity of the voter stated on the voting papers.

The voting procedure: a Supervisor may cast a vote as affirm, object or abstain. Each attending Supervisor shall indicate his/her voting intention by choosing one of the above. The chairman of the meeting shall request each Supervisor who fails to choose any of the above or have chosen two or more of the above to vote again while refusal to do so shall be regarded as having abstained from voting. Any Supervisor who leaves the meeting and does not return and has not voted by choosing any of the above shall be regarded as having abstained from voting.

Resolutions of the Board of Supervisors shall be passed by affirmative vote of two thirds or more of the Supervisors.

The Board of Supervisors shall record decision on matters discussed in the minutes, Supervisors who attended the meeting shall sign on the attendance book. A Supervisor is entitled to request for some descriptive record to be made with regard to his/her speech in the meeting. The meeting minutes of the Board of Supervisors shall be kept in the domicile of the Company.

**Article 135** The Board of Supervisors may conduct investigation if they find the operation of the Company unusual; and may engage professionals such as lawyers and accountants to assist if necessary. All reasonable fees so incurred shall be borne by the Company.

**Article 136** All Supervisors shall perform their supervisory responsibility honestly in accordance with laws, administrative regulations and the Articles of Association.

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

**Article 137** Anyone who is under any of the following circumstances shall not assume the post of a Director, supervisor or senior management of the Company:

- (1) being without civil capacity or with only limited civil capacity;
- (2) having been sentenced to any criminal penalty due to an offence of corruption, bribery, encroachment of property, misappropriation of property or disrupting the order of the socialist market economy and 5 years have not elapsed since the completion date of the execution of the penalty; or he/she has ever been deprived of his/her political rights due to any crime and 5 years have not elapsed since the completion date of the execution of the penalty;
- (3) he/she was a former director, factory director or manager of a company or enterprise which was bankrupt and liquidated, whereby he/she was personally liable for the bankruptcy of such company or enterprise, and 3 years have not elapsed since the date of completion of the bankruptcy and liquidation of the company or enterprise;
- (4) he/she was the legal representative of a company or enterprise, but the business license of this company or enterprise was revoked and this company or enterprise was ordered to close due to a violation of the law, whereby he/she is personally liable for the revocation, and 3 years have not elapsed since the date of the revocation of the business license thereof;
- (5) he/she has a relatively large amount of debt which is due but has not been paid;
- (6) he/she has committed criminal offences and are still under investigation by law administration authorities;
- (7) he/she has been prohibited to be heads of enterprises as stipulated by laws, administrative regulations;
- (8) he/she was not a natural person;
- (9) he/she was convicted of offences of violating provisions of the relevant securities regulations or offences of fraud or acting in bad faith by the relevant Competent authorities, where 5 years have not elapsed since the date of conviction;
- (10) other circumstances stipulated by the laws and regulations of the place where the Company's shares are listed.

**Article 138** The validity of the conduct of the Directors, general manager, or other senior management of the Company who have acted on behalf of the Company with respect to third parties who have acted in good faith shall not be affected due to any irregularity in the employment, election or qualification of such Directors, the general manager, or other senior management.

**Article 139** In addition to obligations imposed by relevant laws, administrative regulations or the Listing Rules of the securities exchange on which the Company's shares are listed, Directors, Supervisors, the general manager, and other senior management in the exercise of their powers and the discharge of their duties shall owe the following obligations to the shareholders:

- (1) not to cause the Company to go beyond the business scope specified by its business license;
- (2) to act honestly in what they consider to be the best interest of the Company;
- (3) not to deprive in any way the Company of its assets, including (but not limited to) opportunities beneficial to the Company;
- (4) not to deprive shareholders of their personal rights and interests, including (but not limited to) rights to distributions and to vote, except in a Company reorganisation submitted in accordance with the provisions of the Articles of Association and adopted at a shareholders' general meetings.

**Article 140** Each of the Directors, Supervisors and other senior management of the Company owes a duty, in the exercise of his/her powers and discharge of his/her duties, to exercise the care, diligence and skill that a reasonably prudent person would exercise under the similar circumstances.

**Article 141** Each Director, Supervisor and other senior management of the Company should abide by his/her fiduciary principles in the discharge of his/her duties, and not to place himself in a position where his/her duty and his/her own interests may conflict. Such principles include (but are not limited to) the performance of the following obligations:

- (1) to act honestly in what he/she considers to be in the best interest of the Company;
- (2) to exercise his/her powers within the scope specified and not to act ultra vires;

- (3) to exercise the discretion vested in him personally and not allow himself to act under the direction of another; unless and to the extent permitted by laws, administrative regulations or by the shareholders, having been informed of the relevant facts, at a shareholders' general meeting, not to delegate the exercise of his/her discretion;
- (4) to treat shareholders of the same class equally and to treat shareholders of different classes fairly;
- (5) except in accordance with the Articles of Association or with the informed consent of shareholders in the shareholders' general meeting, not to enter into any contract, transaction or arrangement with the Company;
- (6) without the approval of the shareholders who have been informed of the relevant facts at the shareholders' general meeting, not to use the Company's assets for his/her personal benefit in any manner;
- (7) not to use his/her position to accept bribes or other illegal income and not to expropriate the Company's assets in any manner, including (without limitation) opportunities beneficial to the Company;
- (8) without the informed consent of shareholders in the shareholders' general meeting, not to accept commissions in connection with the Company's transactions;
- (9) to abide by the Articles of Association, faithfully perform his/her duties and protect the interests of the Company, and not use his/her position and powers in the Company to seek personal gain;
- (10) not to compete with the Company in any way except with the informed consent of shareholders given in shareholders' general meeting;
- (11) not to misappropriate the Company's funds, not to deposit the company's fund into an account under his/her own name or any other individual's name, and not to loan the company's fund to others or provide any guaranty to any other person using the company's property without consent of the shareholders' general meeting or the Board as in violation of the Articles of Association;

(12) without the informed consent of shareholders in shareholders' general meeting, not to disclose confidential information of the Company acquired while in office and not to use such information other than in furtherance of the interests of the Company, save and except that disclosure of information to a court or a relevant governmental authority is permitted where:

1. the disclosure is made under compulsion of law;
2. there is a duty to the public to disclose;
3. the personal interests of the Director, Supervisor, the general manager and other senior management require disclosure.

Incomes derived from the violation by above-mentioned persons who violate the provision of this Article shall belong to the Company; Anyone who has caused any loss to the Company shall be subject to compensation.

**Article 142** A Director, Supervisor or other senior management of the Company shall not direct the following persons or agencies ("Related Parties") to do what the Director, Supervisor, the general manager, or other senior management of the Company is not permitted to do:

- (1) the spouse or minor child of such a Director, Supervisor, the general manager and other senior management of the Company;
- (2) a trustee for such a Director, Supervisor, the general manager and other senior management of the Company or any person referred to in (1) above;
- (3) a partner of such a Director, Supervisor, the general manager and other senior management of the Company or of any person referred to in (1) and (2);
- (4) a company in which that a Director, Supervisor, the general manager and other senior management of the Company, alone or jointly with one or more persons referred to in above (1), (2) and (3) or with any of other Directors, Supervisors, the general manager and other senior management of the Company, have de facto control; and
- (5) a director, supervisor, the general manager and other senior management of a company referred to in (4) above.

**Article 143** The fiduciary duties of a Director, Supervisor, the general manager, and other senior management of the Company do not necessarily cease with the termination of his/her term of office. The duty of confidentiality in relation to business secrets of the Company survives the termination of his/her term of office. Other duties may continue for such period as fairness may require depending on the time lapse between the termination of his/her term of office and the occurrence of the matter in question and the circumstances and the terms under which the relationships between him and the Company are terminated.

**Article 144** Except for the circumstances referred to in Article 59 of the Articles of Association, liabilities of a Director, Supervisor, the general manager and other senior management of the Company arising from the violation of a specified duty may be released due to awareness of the Shareholders at the shareholders' general meeting.

**Article 145** Where a Director, Supervisor and other senior management of the Company is, directly or indirectly, materially interested in a contract, transaction or arrangement or proposed contract, transaction or arrangement with the Company (excluding employment contract made by the Company with the Director, Supervisor, general manager and other senior management of the Company), he/she shall declare the nature and extent of his/her interest to the Board at the earliest opportunity, whether or not the related matters is otherwise subject to the approval of the Board under normal circumstances.

A Director shall not be entitled to vote on (nor shall be counted in the quorum in relation to) any resolution of the Board in respect of any contract, transaction or arrangement in which he/she or any of his/her associates as defined in the applicable Listing Rules in effect from time to time has any material interest or any other relevant proposals.

Unless the interested Director, Supervisor or other senior management of the Company have disclosed his/her interest in accordance with Clause 1 of this Article and the contract, transaction or arrangement has been approved by the Board at a meeting in which the interested Director is not counted in the quorum and has abstained from voting, the contract, transaction or arrangement in which a Director, Supervisor or other senior management are materially interested is voidable at the instance of the Company except as against a bona fide party thereto acting without announcement of the breach of duty by the Director, Supervisor or other senior management concerned.

A Director, Supervisor and other senior management of the Company is deemed to be interested in a contract, transaction or arrangement in which his/her related parties have interest.

**Article 146** Where a Director, Supervisor or senior management of the Company gives the Board a general announcement in writing stating that, by reason of the facts stated in the announcement, he/she is interested in contracts, transactions or arrangements of any description which may subsequently be entered into by the Company, then he/she shall be deemed to have made a disclosure for the purposes of the preceding clause in the Articles of Association so far as the content stated in such announcement is concerned, if such announcement shall have been given to the Board before the date on which the question of entering into the relevant contract, transaction or arrangement is first taken into consideration by the Company.

**Article 147** The Company shall not, in any manner, pay tax for or on behalf of its Director, Supervisor or other senior management.

**Article 148** The Company is prohibited from directly or indirectly making any loan or guarantee to directors, supervisors or senior management of the Company or of its parent company. The Company is also prohibited from providing any loan or guarantee to related parties of the aforesaid.

The following transactions are not subject to the foregoing prohibition:

- (1) the provision of a loan or a loan guarantee by the Company to a company which is a subsidiary of the Company;
- (2) the provision of a loan, a loan guarantee or any other funds by the Company to any of its Directors, Supervisors and senior management to meet expenditure incurred by him for the purposes of the Company or for the purpose of enabling him to perform his/her duties properly, in accordance with the terms of an employment contract approved by the shareholders' general meeting; and
- (3) the Company may make a loan to or provide a loan guarantee to any of its Directors, Supervisors, senior management or other connected persons where the ordinary course of its business includes the making of loans or the giving of guarantees and provided that the making of such loans or the giving of such guarantees is on normal commercial terms.

**Article 149** A loan made by the Company in breach of the prohibition described in the preceding article shall be forthwith repayable by the recipient of the loan regardless of the terms of the loan.



**Article 150** A loan guarantee provided by the Company in breach of the prohibition referred to in Clause 1 of Article 148 shall be unenforceable against the Company unless:

- (1) the guarantee was provided in connection with a loan to a person connected with a Director, Supervisor and senior management of the Company or its parent company and at the time the loan was advanced the lender was not aware of the relevant circumstances;
- (2) the collateral provided by the Company has been lawfully disposed of by the lender to a bona fide purchaser.

**Article 151** Guarantee referred to in the preceding article of the Articles of Association includes an act of undertaking or providing properties by the guarantor to secure the performance of obligations by the obligor.

**Article 152** In addition to any rights and remedies provided for in relevant laws and administrative regulations, the Company is entitled to adopt the following measures where a Director, Supervisor and senior management is in breach of his/her duties owed to the Company:

- (1) to claim against such Director, Supervisor and senior management for losses incurred by the Company as a result of his/her failure to perform his/her duties;
- (2) to rescind any contract or transaction entered into between the Company and the Director, Supervisor and senior management or between the Company and a third party where such third party has knowledge or should have had knowledge of the breach of duty to the Company of such Directors, Supervisors, general manager and other senior management representing the Company;
- (3) to request the Director, Supervisor and senior management to surrender the profits made as a result of his/her breach;
- (4) to recover any monies received by the Director, Supervisor and senior management which should have been received by the Company, including, without limitation, commissions;
- (5) to demand the return of the interest earned or may have been earned on any monies by the Director, Supervisor and senior management which should have been received by the Company; and

- (6) to seek legal procedures to retrieve the interest of a Director, Supervisor and other senior management earned through his/her breach of duty that should belong to the Company.

**Article 153** The Company shall enter into a contract in writing with a Director, Supervisor and senior management of the Company. The written contract shall include at least the following provisions:

- (1) The promise made by a Director, Supervisor or senior management to the Company that he shall comply with and observe, the requirements stipulated under the Company Law, the Special Regulations, the Articles of Association, the Code on Takeovers, Mergers and Share Repurchases, Main Board Listing Rules and other rules stipulated by Hong Kong Stock Exchange, and agree that the Company entitles the remedial measures under the Articles of Association, where the contract and his/her position shall not be transferred;
- (2) The promise made by a Director, Supervisor or senior management to the Company (as a representative of all shareholders) that he/she shall comply with and perform his/her obligations to shareholders set out in the Articles of Association; and
- (3) The relevant arbitration clause in the Listing Rules.

**Article 154** The Company shall enter into written contracts with the Directors and Supervisors in respect of the remuneration issues, subject to approval by the shareholders' general meeting in advance. The remuneration referred to above shall include:

- (1) the remuneration in respect of his/her service as a Director, Supervisor or other senior management of the Company;
- (2) the remuneration in respect of his/her service as a Director; Supervisor or other senior management of a subsidiary of the Company;
- (3) the remuneration for other services in connection with the management of the Company and its subsidiaries; and
- (4) payment by way of compensation for loss of office as the Director or the Supervisor or as consideration for or in connection with his/her retirement.

Save pursuant to the contract aforesaid, no legal proceedings may be brought by a Director or Supervisor against the Company in respect of the benefits ought to be received by him by reasons of the matters stipulated above.

The Company shall regularly disclose the remuneration received by a Director, Supervisor or senior management from the Company to the shareholders.

**Article 155** In the contract for emoluments entered into by the Company with a Director or Supervisor of the Company: when the Company is acquired, provisions shall be made for the right of the Director or Supervisor of the Company to receive, after obtaining the prior consent of shareholders in the shareholders' general meeting, the payment or other amounts by way of compensation for loss of office or for his/her retirement from office. A takeover of the Company referred to above means:

- (1) an offer made by anyone to all shareholders;
- (2) an offer, made by anyone, designed to make the offer or become controlling shareholder.

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

## **Chapter 15 Financial and Accounting System**

**Article 156** The Company shall establish its financial and accounting systems in accordance with the laws, administrative regulations and rules formulated by relevant state authorities.

**Article 157** The Gregorian calendar year has been adopted as the accounting year of the Company, that is, starting from 1 January of every Gregorian calendar year to 31 December of every Gregorian calendar year.

At the end of each accounting year, the Company shall prepare a financial report which shall be examined and verified in a manner prescribed by laws.

The financial statements of the Company shall, in addition to being prepared in accordance with the PRC accounting standards and regulations, be prepared in accordance with either IFRS or that of the place outside China where the Company's shares are listed. If there is any material difference between the financial statements prepared respectively in accordance with both accounting standards, such difference shall be stated and explained in the notes to the financial statements.

For the purposes of distribution of the Company's after-tax profits in a financial year, the lower of the after-tax profits as shown in both sets of financial statements shall be adopted.

**Article 158** The Board shall place before the shareholders at every shareholders' annual general meeting such financial reports as required by relevant laws, administrative regulations and rules as well as directives promulgated by local governments and competent authorities.

**Article 159** The Company shall not keep any other books of accounts other than the one required by law. The Company's assets shall not be kept in accounts in the name of any individual.

**Article 160** The financial reports of the Company shall be made available at the Company for inspection by shareholders 20 days before the shareholders' annual general meeting. Every shareholder of the Company is entitled to a copy of the financial reports as referred to in this Chapter.

A copy of the above report shall, at least 21 days before the date of the shareholders' annual general meeting, be delivered or sent by pre-paid post to every shareholders of foreign shares listed overseas, and the address on the register of shareholders shall be the address of the recipient.

**Article 161** The Company shall disclose its financial reports two times in each financial year, that is, its interim financial reports within 60 days of the end of the first 6 months of a financial year and its annual financial reports within 120 days of its financial year end.

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

## **Chapter 16 Distribution of Profits**

**Article 162** When distributing the after-tax profits of the current year, the Company shall allocate 10% of its profits into its statutory reserve. When the cumulated amount of the statutory common reserve fund of the Company has reached 50% or more of its registered capital, no further allocations is required.

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

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

After making up for the losses and making contributions to the reserve, any remaining profits shall be distributed by the Company to the shareholders in proportion to their respective shareholdings according to the resolutions adopted at the shareholders' general meeting.

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

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

**Article 163** The capital reserve shall include the following items:

- (1) the premium gained from shares issuance in excess of the par value;
- (2) other incomes that shall be included into the capital reserve as required by the competent financial authority of the State Council.

**Article 164** The reserve of the Company shall be used to make up for losses of the Company, and expand the Company's production and operation or conversion to capital increment of the Company, but the capital reserve shall not be used to make up for losses of the Company.

Where the statutory reserve is converted into capital, the balance of such reserve shall not fall below 25% of the Company's registered capital prior to such conversions.

**Article 165** The Company may distribute dividends in each or both of the following ways:

- (1) cash;
- (2) share certificate.

**Article 166** Any amount paid up in advance of calls on any share may carry interest but shall not entitle the shareholder of the share to participate in respect thereof in a dividend subsequently declared.

**Article 167** The Company shall appoint receiving agents on behalf of shareholders holding overseas listed foreign shares. The receiving agents shall on behalf of such shareholders receive dividends distributed by the Company in respect of the overseas listed foreign shares and other proceeds, and proceeds from which shall be managed by the receiving agents on such shareholders' behalf to be paid to them.

The receiving agents appointed by the Company shall comply with the relevant requirements of the law of the place and relevant regulations of the stock exchange where the Company's shares are listed.

The receiving agent appointed on behalf of shareholders of overseas listed foreign shares listed in the stock exchange shall be a company registered as a trust company under the Trustee Ordinance of Hong Kong.

Subject to compliance with the relevant laws and regulations of the PRC, the Company may exercise its right to confiscate the dividends which are not claimed by anyone but such right can only be exercised in or after 6th year after the date of declaring dividends.

The Company may exercise power to cease sending dividend warrants by post to a shareholder of foreign shares listed overseas when such warrants have not be cashed twice in a row. However, such power may be exercised after the first occasion on which such a warrant is returned undelivered.

The Company shall have the power to sell, in such manner as the Board thinks fit, any shares of a Shareholder of overseas-listed foreign-invested shares who is untraceable, but is subject to the following conditions:

- (1) the Company has distributed dividends for at least 3 times in respect of such shares within 12 years, but none of such dividends was claimed;
- (2) the Company, after the expiration of a period of 12 years, made an advertisement on one or more newspapers of the place where the Company is listed, stating its intention to sell such shares, and notified the Hong Kong Stock Exchange.

**Article 168** Cash dividends and other payments payable by the Company to shareholders of Domestic Shares shall be declared in Renminbi. Cash dividends and other payments payable by the Company to shareholders of overseas listed foreign shares shall be denominated and declared in Renminbi and paid in Hong Kong dollars. The Company shall arrange the foreign currency for payment of cash dividends and other payments payable to shareholders of overseas listed foreign shares in accordance with foreign exchange management related regulations of the State.

**Article 169** Unless otherwise provided in relevant laws and regulations, where cash dividends are paid in a foreign currency, the average selling price of the relevant foreign exchange posted by the People's Bank of China for the Gregorian calendar week immediately preceding the date of declaration of the dividends after shareholders' general meeting's approval (including such a date) shall be used as the exchange rate.

## **Chapter 17 Appointment of Accountant Firm**

**Article 170** The Company shall appoint an independent accounting firm under the relevant regulations of the State to audit the Company's annual financial statements and review the Company's other financial reports.

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

**Article 171** The term of appointment of the accounting firm shall commence from the conclusion of the current shareholders' annual general meeting and end at the conclusion of the next shareholders' annual general meeting.

**Article 172** The accounting firm appointed by the Company shall have the following rights and powers:

- (1) to review the Company's books of accounts, records or vouchers, and has the right to require the Directors, general manager or other senior management personnel of the Company to provide related information and descriptions;
- (2) to require the Company to adopt all reasonable measures to obtain any information and descriptions from its subsidiaries that are required by the accounting firm to perform its duties; and

- (3) to attend shareholders' general meetings, and to have equal access to notification of shareholders' meetings or any information related to the meetings as available to all shareholders, and speak at any shareholders' general meeting on matters involving its appointment as the Company's accounting firm.

The Company shall provide accurate and complete accounting documents, books of accounts, financial and accounting report and other accounting information to the appointed accountant firm, the Company shall not refuse to provide such information, conceal and misrepresent any facts.

**Article 173** Should there be a vacancy for the post of accounting firm, the Board may appoint an accounting firm to fill the vacancy before a shareholders' general meeting. Any other accounting firm which is still in service may continue to act as the accounting firm during the period the vacancy remains unfilled.

**Article 174** Notwithstanding any terms stipulated in the appointment contract signed between the accounting firm and the Company, the shareholders' general meeting can, before the expiry of the term of the accounting firm, pass an ordinary resolution to dismiss the accounting firm. The accounting firm's right to claim for compensation from the Company for such dismissal, if any, shall remain unaffected.

**Article 175** The remuneration of an accounting firm or the manner in which such remuneration is determined shall be determined by the shareholders' general meeting.

**Article 176** The decision on engaging, dismissing or not renewing the engagement of an accounting firm shall be made by the shareholders' general meeting, and reported to the securities regulatory authority of the State Council for filing.

If the shareholders' general meeting plans, by passing resolutions, to recruit a non-incumbent accounting firm to fill up any vacancy of the post of accounting firm, or renew the engagement of an accounting firm appointed by the Board to fill up the vacancy, or dismiss an accounting firm before the expiration of its term of office, the following provisions shall be satisfied:

- (1) The relevant proposal on the engagement or dismissal shall be sent to the accounting firm proposed to be engaged or proposing to leave the post or the firm which has left the post in the relevant accounting year before the issuance of the notice of shareholders' general meeting.

Leaving herein shall include leaving by dismissal, resignation and retirement.



- (2) If the accounting firm which is about to leave the post makes a written statement, and requires the Company to inform the shareholders of its statement, unless the time of receiving such written statement is too late, the Company shall adopt the following measures:
  1. state in the notice of meeting issued for making resolutions that the accounting firm which is about to leave the post has made a statement; and
  2. send a duplicate copy of such statement as the annex of the notice to shareholders by the ways stipulated in the Articles of Association.
- (3) If the Company fails to send the statement of the relevant accounting firm according to the above provisions of item (2), the accounting firm may ask the statement be read at the shareholders' general meeting and make further appeal.
- (4) An accounting firm about to leave the post shall have the right to attend the following meetings:
  1. shareholders' general meeting at which its term shall expire;
  2. shareholders' general meeting at which the vacancy due to its dismissal is to be filled up; and
  3. shareholders' general meeting convened due to its resignation from its post.

The accounting firm about to leave the post shall have the right to receive all notices of the aforesaid meetings or other information in relation to the meetings and give speeches at the aforesaid meetings with regard to matters involving its duties as the previous accounting firm appointed by the Company.

**Article 177** Prior notice shall be given to the accounting firm if the Company decides to remove such accounting firm or not to renew the appointment thereof. Such accounting firm shall have the right to make representations at the shareholders' general meeting. Where the accounting firm resigns its post, it shall make clear to the shareholders' general meeting whether there is any impropriety on the part of the Company.

- (1) The accounting firm may resign its office by depositing at the Company's legal address a resignation notice which shall become effective on the date of such deposit or on such later date as may be stipulated in such notice. Such notice shall include the following:

1. a statement to the effect that there are no circumstances connected with its resignation which it considers should be brought to the notice of the shareholders or creditors of the Company; or
  2. a statement of any such circumstances.
- (2) Where a notice is deposited under Clause (1) of this Article, the Company shall within 14 days send a copy of the notice to the relevant governing authority. If the notice contains a statement under Clause (1)2 of this Article, a copy of such statement shall be placed at the Company for shareholders' inspection. The Company shall also send a copy of such statement by prepaid mail to every shareholder of overseas listed foreign shares at the address registered in the register of shareholders, or the Company may published its report on the website of the Hong Kong Stock Exchange or in one or more newspapers specified by it within foregoing deadline. Once an announcement is made, all shareholders are deemed to have received the aforementioned copies.
- (3) If the resignation notice of an accounting firm contains any statement mentioned in Clause (1)2 of this Article, the accounting firm may require the Board to convene an shareholders' extraordinary shareholders' general meeting to hear its explanation on relevant matters about its resignation.

## **Chapter 18 Notice**

**Article 178** Notices of the Company can be issued via the following methods:

- (1) by personal delivery;
- (2) by mail;
- (3) by facsimile or email;
- (4) by publishing on the websites designated by the Company and the Stock Exchange in accordance with laws, administrative regulations and the listing rules of the stock exchange where the Company's shares are listed;
- (5) by an announcement;
- (6) by any other methods as agreed between the Company and the addressee or as accepted by the addressee after the notice is received;
- (7) any other methods approved by the relevant regulatory bodies of the place of listing of the Company's shares or required by the Articles of Association.

Unless otherwise stated, the “announcement” referred to in the Articles of Association shall mean, as to the announcements published to the shareholder of Domestic Shares or the announcements required to be published in the PRC according to the relevant requirements and the Articles of Association, an announcement published on any newspaper in the PRC as stipulated under the laws and administrative regulations or designated by the securities authority of the State Council; in respect of announcements made to the shareholders of overseas listed foreign shares or announcements that are required to be made within Hong Kong in accordance with relevant regulations and the Articles of Association, such announcements must be published on the website of the Hong Kong Stock Exchange as stipulated under the Listing Rules.

**Article 179** Unless otherwise stated in the Articles of Association, the various types of corporate communication in the preceding Article shall apply to the meeting notices of the shareholders’ general meeting, board meetings and the meetings of the Board of Supervisors convened by the Company.

**Article 180** In the case that the listing rules of the stock exchange where the Company’s shares are listed stipulate that the Company send, post, distribute, announce or otherwise provide relevant documents of the Company in English and Chinese, if the Company has made appropriate arrangement to confirm whether the shareholders hope to receive only the English version or the Chinese version, the Company may (as per the intent stated by the shareholders) send only the English version or the Chinese version to the related shareholders within the range allowed by applicable laws and regulations and pursuant to applicable laws and regulations.

## **Chapter 19 Merger and Division of the Company**

**Article 181** For a merger or division of the Company, the Board shall put forward a proposal, and the formalities for approval shall be handled according to laws after the proposal has been adopted according to procedures specified in the Articles of Association. Shareholders who oppose the Company’s merger or division plans shall have the right to ask the Company or the shareholders who approve the merger or division plans to purchase their shares at a fair price. The content of the resolution on the merger or division of the Company shall be made into special document for shareholders to inspect.

With regard to shareholders of overseas listed foreign shares, the aforesaid documents shall also be sent out by mail.

**Article 182** The merger of the Company may take the form of either merger by absorption or merger by the establishment of a new company.

In the case of a merger of the Company, the merging parties shall execute a merger agreement and prepare a balance sheet and an inventory of assets. The Company shall notify its creditors within 10 days from the date of the Company's merger resolution which is passed and shall publish a public notice on newspaper within 30 days of the date of the Company's merger resolution.

After the merger of the Company, the claims and debts of the parties to the merger shall be assumed by the surviving company or the newly established company.

**Article 183** In the case of a division of the Company, its assets shall be divided accordingly.

In the case of a division of the Company, the parties to the division shall prepare a balance sheet and an inventory of assets. The Company shall notify its creditors within 10 days from the date of the Company's division resolution which is passed and shall publish a public notice on newspaper within 30 days of the date of the Company's merger resolution.

Debts of the Company prior to the division shall be assumed by the companies which exist after the division, except otherwise agreed in the written agreement in respect of debt service reached between the Company and the creditor prior to the division.

**Article 184** Where a merger or division of the Company involves changes in registered items, such changes shall be registered with the company registration authority according to laws; if the Company is dissolved, its deregistration shall be carried out according to laws; where a new company is incorporated, the registration of the incorporation of the company shall be carried out according to laws.

## **Chapter 20 Dissolution and Liquidation of the Company**

**Article 185** The Company shall be dissolved upon the occurrence of the following events:

- (1) special resolution on dissolution is passed by shareholders at a shareholders' general meeting;
- (2) dissolution is necessary due to a merger or division of the Company;
- (3) the Company's business license is revoked or it is ordered to close down or it is cancelled according to law;

- (4) The Company is ordered to close down according to laws due to violation of laws or administrative regulations;
- (5) where the Company gets into serious trouble in operations and management and its continuation may cause substantial loss to the interests of its shareholders, and no solution can be found through any other channel, shareholders representing 10% or more of the total voting rights of the Company may request the people's court to dissolve the Company.

**Article 186** Where the Company is dissolved by virtue of the reasons set out in item (1), (3), (5) of Article 185 of the Articles of Association, the Company shall establish a liquidation group within 15 days commencing from the date on which the events being the grounds for dissolution has been occurred to start liquidation process. The members of the liquidation group shall be composed of persons selected by Directors or decided at shareholders' general meeting. If no liquidation group has been established to conduct liquidation within the time limit, the creditors may request the People's Court to designate the relevant personnel to form a liquidation group to conduct liquidation.

**Article 187** Where the Board decides to liquidate the Company due to causes other than declaration of bankruptcy, the Board shall include a statement in its notice convening a shareholders' general meeting to consider the proposal to the effect that, after making full inquiry into the affairs of the Company, the Board is of the opinion that the Company will be able to pay all its debts in full within 12 months from the commencement of the liquidation.

Upon the passing of the resolution for the liquidation of the Company, all functions and powers of the Board shall cease.

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

**Article 188** During the liquidation period, the liquidation group shall exercise the following functions and powers:

- (1) to sort out the Company's assets and prepare a balance sheet and an inventory of assets respectively;
- (2) to notify all creditors by notice or public announcements;

- (3) to dispose of and liquidate any relevant unfinished business matters of the Company;
- (4) to pay all outstanding taxes and taxes occurred during the liquidation process;
- (5) to settle claims and debts;
- (6) to deal with assets remaining after the Company's debts having been paid in full;
- (7) to represent the Company in any civil proceedings.

**Article 189** The liquidation group shall within 10 days of its establishment send an announcement to creditors, and within 60 days of its establishment make a public announcement in a newspaper. The creditors shall report their claims to the liquidation group within 30 days of the receipt of the notification, or in the event that no such notification is received, within 45 days of the date of the first published announcement.

When the creditors report their claims, they shall explain clearly relevant matters regarding the claims and provide supporting evidence. The liquidation group shall register the claims.

The liquidation group may not reimburse any of such creditors during the period of registration of claims.

**Article 190** The liquidation group shall, after examining the Company's assets, preparing the balance sheets and an inventory of assets, formulate a liquidation plan and present it to the shareholders' general meeting or the relevant governing authority for confirmation.

The assets of the Company shall be distributed in the following order: the liquidation expenses, paying wages, social insurance contributions and statutory compensation of the Company's employees; taxes owed by the Company; the debts of the Company.

After the assets are applied by the Company to settle debts in accordance with the above provisions, the remaining assets shall be distributed to the shareholders according to the class of shares held by them and the proportion of their shareholdings.

During the liquidation period, the Company shall not engage in any new business activities.

**Article 191** If the liquidation group, having examined the Company's assets and prepared a balance sheet and assets list, discovers that the Company's assets are insufficient to pay its debts in full, it shall immediately apply to the People's Court for a declaration of bankruptcy.

After the People's Court has declared the Company bankrupt, the company's liquidation group shall turn over any matters regarding the liquidation to the People's Court.

**Article 192** Following the completion of liquidation, the liquidation group shall prepare a report on liquidation and a statement of the receipts and payments and financial books during the period of liquidation, which shall be examined and verified by the PRC certified public accountants and submitted to the shareholders' general meeting or the People's Court for confirmation. The liquidation group shall also, within 30 days after such confirmation, submit the preceding documents to the company registration authority and apply for cancellation of registration of the Company, and publish an announcement relating to the termination of the Company.

## **Chapter 21 Amendment to the Articles of Association of the Company**

**Article 193** The Company may, in accordance with provisions contained in relevant laws, administrative regulations and the Articles of Association, amend its Articles of Association.

**Article 194** The Articles of Association shall be amended according to the following procedures:

- (1) the Board shall approve a resolution to amend the Articles of Association, and prepare the proposed amendments;
- (2) the Board shall convene a shareholders' general meeting to vote on the amendments to the Articles of Association in the shareholders' general meeting;
- (3) The amendments to the Articles of Association are passed by way of a special resolution approved by the shareholders' general meeting;
- (4) The Company shall submit the revised Articles of Association to the company registration authority for filing.

**Article 195** Where the amendments to the Articles of Association involving the contents of the Mandatory Provisions, they shall become effective upon approvals by the company approval authorities of the State Council and the securities commission of the State Council. If there is any change relating to the registered particulars of the Company, application shall be made for registration of the changes in accordance with law.

## **Chapter 22 Dispute Resolution**

**Article 196** The Company shall act according to the following principles to settle disputes:

- (1) For any disputes or claims between shareholders of overseas listed foreign shares and the Company, between shareholders of overseas listed foreign shares and the Directors, Supervisors, the general manager or other senior management officers of the Company, between shareholders of overseas listed foreign shares and shareholders of domestic invested shares, that arise based on the rights and obligations stipulated in the Articles of Association, the Company Law and the relevant laws and administrative regulations, the relevant parties shall refer any such disputes or claims to arbitration.

Where a dispute or claim involves the above-mentioned parties, the entire claim or dispute must be referred to arbitration and all persons having a cause of action based on the same facts giving rise to the dispute or claim or whose participation is necessary for the resolution of such dispute or claim, if being the Company or shareholders, Directors, Supervisors or senior management of the Company, shall abide by arbitration.

Disputes regarding definition of shareholders and registration of members may be resolved by means other than arbitration.

- (2) The claimant may refer the arbitration to either the China International Economic and Trade Arbitration Commission in accordance with its arbitration rules, and may also refer the arbitration to the Hong Kong International Arbitration Centre in accordance with its securities arbitration rules. Once a claimant refers a dispute or claim to arbitration, the other party must submit to the arbitral body selected by the claimant.

If the claimant refers the arbitration to the Hong Kong International Arbitration Centre, either party may request the arbitration to be conducted in Shenzhen in accordance with the securities arbitration rules of the Hong Kong International Arbitration Centre.



- (3) Unless otherwise provided in the laws and administrative regulations, any disputes or claims arising out of item (1) above shall be resolved in accordance with the laws of the People's Republic of China (excluding the Special Administrative Region of Hong Kong, the Special Administrative Region of Macau and Taiwan).
- (4) The decision made by the arbitral body shall be final and conclusive, and shall be binding on the parties.

### **Chapter 23 Supplementary Provisions**

**Article 197** Reference to the term "Accountanting Firm" herein shall have the same meaning as ascribed to the term "auditors".

"Actual controller" referred to in the Articles of Association refers to a person who is not a shareholder of the Company, but may actually affect the actions of the Company through investment relationship, agreements or other arrangements.

"The above", "within", "the following" as referred to in the Articles of Association are inclusive of the stated figure, while "over", "other than" are not inclusive of the stated figure.

**Article 198** The Articles of Association is prepared in Chinese, the Chinese shall prevail in case of any discrepancies between the Chinese version and any other language version of the Articles of Association.

**Article 199** The Articles of Association shall be interpreted by the Board of the Company.

**Article 200** Appendixes to the Articles of Association include the rules and procedures of shareholders' general meetings, the rules and procedures of board meetings and the rules and procedures of the Board of Supervisors.

**Article 201** The Articles of Association will become effective from the date on which it is approved at shareholder's general meeting.