

# **Zhejiang Shibao Company Limited**

(a joint stock company incorporated in the People's Republic of China with limited liability)

## **Articles of Association**

(effective on 26 December 2014)

*(The Articles of Association was originally drafted in Chinese and the English translation is for your reference only. In case of any inconsistencies between the Chinese and the English version, the Chinese version shall prevail.)*

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Remarks:

In Articles of Association and its marginal notes, Company Law refers to Company Law of the People's Republic of China; Mandatory Provisions or MP refers to Mandatory Provisions for the Articles of Association of Companies to be Listed Overseas (Zheng Wei Fa [1994] No. 21) jointly issued by the former Securities Committee of the State Council and the former State Commission for Restructuring the Economic System ("SCRES"); Zheng Jian Hai Han refers to Letter of Opinions on Supplementary Amendment to Articles of Association of Companies to be Listed in Hong Kong (Zheng Jian Hai Han [1995] No. 1); Opinion refers to Opinion on Further Promoting Regulation of Operation and In-depth Reform of Companies Listed Overseas (Guo Jing Mao Qi Gai [1999] No. 230) jointly issued by the former National Economic and Trade Committee and China Securities Regulatory Commission; Special Regulations refers to Special Regulations of the State Council on Overseas Offerings and Listing of Shares by Joint Stock Limited Companies; Listing Rules or LR refers to Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited issued by The Stock Exchange of Hong Kong Limited; and LR APP. refers to Appendix to Listing Rules.

# Zhejiang Shibao Company Limited

## Articles of Association

### Chapter 1 General Principles

Article 1 Zhejiang Shibao Company Limited (“Company”) is a joint stock limited company incorporated in the People’s Republic of China (“PRC”) pursuant to Company Law, Special Regulations and other relevant laws, administrative regulations and rules. (MP1)

The Company is approved by the document [Zhe Shang Shi [2004] No.37] Approval of Reform of Zhejiang Shibao Company Limited issued by the Corporation Listing Affairs Leading Team of Zhejiang Province and established by reforming Zhejiang Shibao Steering Gear Co., Ltd. (浙江世宝方向机有限公司). The Company registered with the Administration Bureau of Industry and Commerce of Zhejiang Province on 12 July 2004 and obtained a business licence. The registration number of the business licence of the Company is 3300001010738.

The promoters of the Company are:

- Promoter 1: Zhejiang Shibao Holding Group Co., Ltd.  
(hereinafter referred to “Shibao Holding”)  
Address: No.1 Chezhan Road, Fotang Town, Yiwu Shi  
Legal representative: Zhang Shi Zhong  
Identity card number: 330782000101701
- Promoter 2: Du Chun Mao  
Address: Lane 28, South Tiyu Street, Shiping Shi, Jilin Province  
Identity card number: 220302550923043
- Promoter 3: Wu Lang Yue  
Address: Wang Wu Qiao Cun, Yiting Town, Yiwu Shi  
Identity card number: 330725570901081
- Promoter 4: Chen Wen Hong  
Address: No.1 Xiao Jiang Tan, Fotang Town, Yiwu Shi  
Identity card number: 330725197312186232
- Promoter 5: Wu Wei Xu  
Address: Chen Quan Xiao Qu, Fotang Town, Yiwu Shi  
Identity card number: 330725630926083

Article 2 The registered name of the Company: (MP2)  
Chinese: 浙江世宝股份有限公司  
English: Zhejiang Shibao Co., Ltd.

Article 3 Address: No.1 Shuanglin Road, Fotang Town, Yiwu Shi, Zhejiang Province (MP3)

Postal code: 322002  
Telephone no.: 0579-5729885  
Fax no.: 0579-5715198

Article 4 Chairman of the board of directors is the legal representative of the Company. (MP4)

Article 5 The Company is a joint stock limited company which has perpetual existence. (MP5)

Article 6 This Articles of Association takes effect after the approval of the general meeting of the Company and on the date approved by the relevant administrative authorities of the State.

The former Articles of Association and its amendments are invalid on the date that this Articles of Association takes effect.

Article 7 Commencing from the date this Articles of Association takes effect, this Articles of Association will become a binding legal document for regulating the organization and acts of the Company, as well as the rights and obligations shared between the Company and its shareholders, and between and among the Company's shareholders. (MP6)

Article 8 This Articles of Association shall be legally binding upon the Company, its shareholders, directors, supervisors, general manager, deputy general manager and other senior managerial officers of the Company, who shall have the right to make any claims and propositions regarding the Company's affairs based on the Articles of Association. (MP7)

The aforesaid other senior managerial officers of this article includes person in charge of finance, board secretary of the Company or other persons carry out the same or similar duties of them. General manager, deputy general manager and other senior managerial officers together called senior managerial officers.

Pursuant to the Articles of Association, a shareholder may bring a lawsuit against the Company, the Company may bring a lawsuit against a shareholder, a shareholder may bring a lawsuit against a shareholder, a shareholder may bring a lawsuit against directors, supervisors, general manager, deputy general managers and other senior managerial officers of the Company.

The aforesaid lawsuits include filing a lawsuit to the court or applying an arbitration to arbitration organisation.

Article 9 The Company may invest in other limited liability companies or joint stock limited companies. The Company's liabilities to an investee company shall be limited to the amount of its capital contribution to the investee company. (MP8)

Save as otherwise specified in the laws, the Company shall not be an investor bearing joint liability for the debts of its invested enterprises.

With the approval from the company approval authority authorized by the State Council, the Company may, based on the business needs of the Company, invest and operate in accordance with Company Law

Article 10 The Company is an independent corporate legal person. All acts of the Company shall comply with the law and regulations of the PRC and the place of listing of overseas listed foreign shares, and shall protect the lawful interests of the shareholders. The total capital of the Company is divided into equal shares. Shareholders shall assume liability towards the Company to the extent of their respective subscribed shares and the Company shall be liable for its debts to the extent

of its total assets.

The Company has the rights of financing and borrowing provided that it is in compliance with the relevant applicable laws, administrative regulations and Listing Rules. The rights of financing of the Company include, but not limited to, the issue of company debentures, pledge or charge of the right of ownership or right of use of parts or all of the assets of the Company, and any other rights as allowed by the laws and administrative regulations of the PRC. However, when the Company exercises the aforesaid rights, it shall not infringe or revoke the rights of any class shareholders.

## **Chapter 2 Business Objects and Scope**

Article 11 The business objects of the Company: making progress through innovation, building Shibao brand and continuing development. (MP9)

Article 12 The business scope of the Company is subject to the items as approved by the authority responsible for the registration of companies.

The principal scope of the Company: manufacture and sales of automotive components, sales of metal materials, mechanical and electrical products as well as electronic products, sales of automobiles (restricted to branches to operate). (MP10)

Article 13 The Company may adjust its business scope or investment plans according to the changes in domestic and international markets, demands of domestic operations and the Company's own development capabilities, subject to the passing of a resolution at a general meeting and approval by the relevant authorities.

## **Chapter 3 Share Capital and Registered Capital**

Article 14 The Company shall have ordinary shares any time; and the Company may, according to its need and upon approval from the company approval authority authorised by the State Council, have other classes of shares. (MP11)(LR App.3, para9)

Article 15 Shares of the Company take means of stock.

The shares shall be issued on an open, fair and equitable basis. Shares of the same class shall rank pari passu in all respects among each other.

For the same class of shares issued at the same time, the conditions and price of issue for each share shall be the same. Each of the shares subscribed by any entity or individual shall have the same price.

Shares issued by the Company shall have a par value and each share shall bear a par value of one (1) RMB. (MP12)

The aforesaid RMB means the lawful currency of the People's Republic of China.

Article 16 Upon the approval of the securities governing authority of the State Council, the Company may issue shares to domestic investors and foreign investors. (MP13)

The aforesaid foreign investors mean those investors who subscribe for shares issued

by the Company and who are located in foreign countries and in the regions of Hong Kong, Macau and Taiwan. Domestic investors mean those investors who subscribe for shares issued by the Company and who are located within the territory of the People's Republic of China, except the regions referred to above.

Article 17 The shares issued by the Company to domestic investors and purchased in RMB are Domestic Shares. The shares issued by the Company to foreign investors and purchased in foreign currency are foreign shares. The foreign shares listed overseas are overseas listed foreign shares. (MP14)(LR App.3 para9)

The aforesaid foreign currency means the lawful currencies recognised by the foreign exchange regulatory authority department of the State which can be used to pay to the Company the share capital, and the lawful currency of other countries and regions other than Renminbi (RMB).

Article 18 Domestic Shares issued by the Company and listed in the PRC shall have its value denominated in RMB and shall be subscribed for and traded in RMB, and shall be referred to as A Shares.

Foreign shares issued by the Company and listed in Hong Kong shall be referred to as H Shares. H Shares refer to the shares approved by the relevant department of the State and The Stock Exchange of Hong Kong Limited ("Hong Kong Stock Exchange") for listing with the par value denominated in RMB, and are subscribed for and traded in Hong Kong dollar.

Article 19 As approved by the Corporation Listing Affairs Leading Team of Zhejiang Province under document [Zhe Shang Shi [2004] No.37], the total number of ordinary shares issued upon the establishment of the Company was 175,943,855 shares, of which the total number of ordinary shares issued to the promoters was 175,943,855 shares (at the par value of one (1) RMB per share), representing 100% of the total ordinary shares issuable by the Company at that time. (MP15)

Upon approval by the China Securities Regulatory Committee (hereafter referred as "CSRC"), the Company issued up to 86,714,000 H Shares subsequent to the establishment of the Company, representing 33% of the total ordinary shares issuable by the Company. (MP16) (LR App.3 para 9)

The capital structure of the Company after the issue of the aforementioned shares: 262,657,855 ordinary shares, in which promoters hold 175,943,855 shares and holders of H Shares hold 86,714,000 H Shares. (MP16) (LR App.3 para 9)

As approved under CSRC Approval [2014] No.1101 by CSRC, the Company issued 38,200,000 A Shares through initial public offering. Following such issuance of A Shares, the capital structure of the Company: 315,857,855 ordinary shares of which 229,143,855 A Shares representing 72.55% of the total share capital of the Company after such issue; and 86,714,000 H Shares representing 27.45% of the total share capital of the Company after such issue.

Article 20 The Company's board of directors may make arrangements for the respective issuance of H Shares and Domestic Shares after the proposals for the issuance of the same have been approved by the securities regulatory authority of the State Council. (MP17)

Plans of issuance of H Shares and Domestic Shares of the Company respectively in according to the prescribed previous article may be implemented within fifteen (15) months respectively after the date of approval by CSRC.

Article 21 Where the total number of shares stated in the proposal for the issuance of H Shares and Domestic Shares respectively, such shares shall be fully subscribed for at one time at their respective offerings. If the shares cannot be fully subscribed for all at one time due to special circumstances, the shares may, subject to the approval of CSRC, be issued on separate tranches. (MP18)

Where the confirmed shares under the issuance proposal of the Company are not fully subscribed, the Company shall not issue new shares not authorised under such issuance proposal. Where the Company needs to adjust its issuance proposal, it is subject to a resolution passed at a general meeting, an approval from the company approval authority authorised by the State Council and a submission to CSRC for approval.

Subject to not in breach of the Listing Rules, the interval period between the raise of capital by issuing H Shares and last issue of the Company may be less than twelve (12) months.

Article 22 The Company's registered capital was RMB315,857,855. Change of the Company's registered capital is required to be registered at the relevant industrial and commercial administrative authorities. (MP19)

Article 23 The Company may, based on its operating and development needs, approve to increase its share capital in accordance with the relevant regulations of its Articles of Association. (MP20)

The Company may increase its share capital in the following ways:

- (1) by offering new shares for subscription to unspecified investors;
- (2) by placing new shares to its existing shareholders;
- (3) by issuing bonus shares to its existing shareholders; or
- (4) by any other means which is permitted by laws and administrative regulations.

Where the Company issues new shares to raise capital, the Company shall, after the approval in according to the provisions of the Company's Articles of Association, handle in according to the procedures prescribed by the relevant laws and administrative regulations of the State.

Article 24 Unless otherwise required by laws and administrative regulations, shares of the Company are freely transferable without any lien. (MP21)

Article 25 When shares of the Company are transferred, subject to compliance with the Articles of Association of the Company, names (title) of transferees of the shares shall be entered into the register of shareholders as holders of such shares.

#### **Chapter 4 Reduction of Capital and Repurchase of Shares**

Article 26 The Company may reduce its registered capital. Where the Company reduces its registered capital, it shall be handled in accordance with Company Law and other relevant provisions and procedures prescribed in the Articles of Association. (MP22)

Article 27 Upon the reduction of registered capital, the Company shall prepare a balance sheet and a list of its assets. (MP23)

The Company shall notify its creditors within ten (10) days from the date of passing the resolution for the reduction of registered capital and shall publish the notice at least three (3) times in a newspaper within thirty (30) days thereof. Creditors shall have the right within thirty (30) days from the date of receiving the notice, and the



creditors who have not received the notice shall have the right within ninety (90) days from the date the notice was first published in the newspaper, to request the Company to settle the debts or to provide corresponding securities in respect of the debts.

(LR App3, para.7(1) )

The registered capital shall not be less than the minimum statutory requirement after the reduction of capital by the Company.

Article 28

Share of the Company may be repurchased by the Company in accordance with the laws, administrative regulations, departmental rules and provisions of the Articles of Association under the following circumstances:

- (1) to reduce the registered capital of the Company;
- (2) to merge with other companies holding the Company's shares;
- (3) to offer shares to the staffs of the Company as incentive;
- (4) to repurchase of shares at the request of shareholders against resolutions of merger or division of the Company approved at the Company's general meetings;
- (5) other circumstances as permitted by the laws and administrative regulations.

Where share of the Company is repurchased for the reasons of the aforesaid items (1) to (3), it shall be approved at the general meeting of the Company.

Where share of the Company is repurchased in accordance with item (1) of this article, the relevant share shall be cancelled within ten (10) days after the date of repurchase; where share of the Company is repurchased in accordance with item (2) or item (4) of this article, it shall be transferred or cancelled within six (6) months after the date of repurchase.

Where share of the Company is repurchased in accordance with item (3) of this article, it shall not exceed 5% of the total issued shares of the Company; the repurchased share shall be transferred to the staffs of the Company within one (1) year. (MP24)

Article 29

The Company may repurchase shares of the Company with approval from the relevant regulatory authority of the State in any of the following ways:

- (1) make a repurchase offer to all shareholders for repurchase on a pro-rata basis;
- (2) through open trading in the stock exchange;
- (3) repurchased by agreement outside the stock exchange.

(MP25)

Article 30

The Company must obtain prior approval from shareholders at general meetings (in the manner stipulated in the Articles of Association) before it can repurchase shares outside stock exchange by means of an agreement. The Company may, by obtaining the prior approval from shareholders at general meetings (in the same manner), release or vary the contract as entered in aforesaid manner, or waive any of its rights under the contract. (MP26)

The contract for the repurchase of shares as referred in aforesaid paragraph includes, but not limited to, agreement to undertake the obligation to repurchase shares and agreement to obtain the right to repurchase shares.

The Company must not transfer the contract or any of its rights as stipulated in the contract for the repurchase of shares.

The price of redeemable shares which the Company has the right to repurchase shall not exceed a highest price limit if the said shares are not repurchased by public trading or tender; to repurchase the shares by tender, the Company shall tender offer to all shareholders with the same conditions.

(LR App 3 Para 8 (1), (2))

Article 31 Shares which have been repurchased by the Company pursuant to laws shall be cancelled within the time limit stipulated by laws and administrative regulations, and the Company shall apply to the original companies registration authority for the registration of the change of its registered capital.

The aggregate par value of the cancelled shares shall be deducted from the Company's registered capital. (MP27)

Article 32 Unless the Company is in the course of liquidation, it must comply with the following provisions in relation to repurchase of its issued shares: (MP28)

- (1) where the Company repurchases shares at par value, payment shall be made out of the book surplus distributable profits of the Company or out of proceeds of a new issue of shares made for the repurchase of shares;
- (2) where the Company repurchases shares at a premium to its par value, payment equivalent to the par value may be made out of the book surplus distributable profits of the Company or out of proceeds of a new issue of shares made for the repurchase of shares. 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 its par value, payment shall be made out of the book surplus distributable profits of the Company or out of proceeds of a new issue of shares made for the repurchase of shares, provided that the amount paid out of the proceeds of the new issue shall not exceed the aggregate of premiums on the issue of the old shares repurchased nor shall it exceed the amount in the premium account (or capital common reserve fund) (including the premiums on the new issue) at the time of the repurchases;
- (3) the Company shall make the following payments out of the Company's distributable profits:
  1. the acquisition of the right to repurchase its own shares;
  2. the variation of any contract for the repurchase of its own shares; and
  3. the release of its obligation under any contract for the repurchase of shares.
- (4) after the total par value of the cancelled shares is deducted from the Company's registered capital in accordance with relevant provisions, the amount deducted from the distributable profits and used to pay the par value portion of the repurchased shares shall be included in the premium account (or capital common reserve fund account) of the Company.

## **Chapter 5 Transfer of Share**

Article 33 The Company does not accept the share of the Company as object of pledge.

Article 34 Shares of the Company may be transferred, transferred as gift, inherited and mortgaged pursuant to relevant laws, administrative regulations and provisions of the Articles of Association.

Transfer or movement of shares of the Company shall be registered with the share registrar designated by the Company and transfer formalities be handled in accordance with relevant regulations.

(LR App 3 Para 1 (1))

Article 35 Shares of the Company held by the promoters shall not be transferred within one (1) year after the incorporation of the Company. Shares issued by the Company before public offering shall not be transferred within one (1) year after the shares of the Company are listed on the stock exchange.

Directors, supervisors, general managers, deputy general managers and other senior managerial officers shall report to the Company about their shareholdings and changes thereof and shall not transfer more than twenty-five per cent (25%) of their shares per annum during their terms of office; the shares they hold in the Company shall not be transferred within one (1) year after the shares of the Company are listed. The aforesaid persons shall not transfer the Company's shares they held or newly purchased within half a year after they terminate service with the Company.

Article 36 Where directors, supervisors, senior managerial officers and shareholders holding 5% or more of the total share capital of the Company sell their shares within six (6) months after their purchases or purchase within six (6) months after selling their shares, the yield thereupon shall be possessed by the Company and the board of directors shall withdraw all their yield. Where a securities company, as underwriter, purchases all the unsold shares and therefore exceeds five per cent (5%) or more of the total share capital of the Company, it is exempt from the six (6) months time restriction when it sells the shares.

Where the board of directors fails to enforce the provisions of the aforesaid paragraph, shareholders have the right to ask the board of directors to enforce it within thirty (30) days. Where the board of directors fails to enforce it within the aforesaid time limit, shareholders shall in their own names be entitled to file a suit to the People's Court in the interests of the Company.

Where the board of directors fails to enforce the paragraph 1, the responsible directors shall bear joint liability according to the law.

## **Chapter 6 Financial Assistance for the Acquisition of the Shares of the Company**

Article 37 No financial assistance shall be provided at any time and in any manner by the Company and its subsidiaries to any person acquiring or intending to acquire the shares of the Company. The person acquiring the shares of the Company aforesaid shall include the person who undertakes, directly or indirectly, obligations for the purpose of purchase of shares of the Company. (MP29)

No financial assistance shall be provided at any time and in any manner by the Company and its subsidiaries to reduce or release the obligations of the said person undertaking such obligations.

This article shall not apply to the situations as mentioned in article 39 of this chapter.

Article 38 Financial assistance as stated in this chapter includes (but not limited to): (MP30)

- (1) gift and advance payment;
- (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), compensation (other than compensation in respect of the Company's own default), release or waiver of the rights;
- (3) provision of a loan or any other contract under which the obligations of the Company are to be fulfilled before the obligations of any party to the contract, a change in the parties of the loan or contract, and the assignment of rights under such loan or contract; or
- (4) any other form of financial assistance 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.

Assumption of obligations as stated in this chapter includes the assumption of obligations by way of contract or by way of arrangement (irrespective of whether such

contract or arrangement is enforceable or not, and irrespective of whether such obligation is to be borne solely by the obligor or jointly with other persons) entered by the obligor or by any other means which results in a change in his financial position.

Article 39

The following acts are not regarded as prohibited by article 37: (MP31)

- (1) the financial assistance is given in good faith in the interests of the Company and the principal purpose for giving that assistance is not for the acquisition of shares in the Company, or the assistance is but an incidental part of a larger proposal of the Company;
- (2) a distribution of the Company's assets by way of dividend in accordance with laws;
- (3) the allotment of shares as dividends;
- (4) a reduction of registered capital, a repurchase of shares and adjustment of the shareholding structure of the Company effected in accordance with the Articles of Association;
- (5) the lending of money by the Company in the ordinary course of its business where the lending of money is within the scope of its business, provided that the Company's net assets are not thereby reduced or that, to the extent that the assets are thereby reduced, the financial assistance is provided out of the distributable profits of the Company; and
- (6) contribution made by the Company to the employee share option schemes (provided that the net assets of the Company are not thereby reduced or that, to the extent that the assets are thereby reduced, the financial assistance is provided out of distributable profits of the Company).

## **Chapter 7 Share Certificates and Register of Shareholders**

Article 40

Share certificate is issued by the Company as evidence of the shares held by the shareholder. The share certificate of the Company shall be in registered form.

(MP32)

The share certificates of the Company shall include the following main particulars:

- (1) company name;
- (2) date of registration and incorporation of the Company;
- (3) class of share, par value and the quantity of shares representing;
- (4) share certificate number; and
- (5) other matters that shall be required to be specified by the Company Law, Special Regulations, and securities stock exchange of the listed shares of the Company.

Article 41

Share certificates shall be signed by the chairman. If requested by the securities stock exchange where the Company's shares are listed to be signed by other senior managerial officers of the Company, share certificates shall also be signed by other relevant senior managerial officers. Signatures of the chairman or other relevant senior managerial officers of the Company on the share certificates may also be in printed form.

The share certificates shall become valid only after being affixed with the common seal of the Company or being affixed with the common seal of the Company in printed form. Affixing with the common seal of the Company on the share certificates shall be subject to the authorisation by the board of directors. Scriptless issues and dealings of the Company's shares shall be subject to other requirements of the securities regulatory authorities in the place where the Company's shares are listed.

(MP33) (LR App. 3 para 2(1)) (Zheng Jian Hai Han Art. 1)

Article 42

The Company shall create a register of shareholders for Domestic Shares according to the proofs provided by domestic share registrar. The Company shall establish a

register of shareholders which shall contain the following particulars: (MP34)

- (1) the name (title) and address (residence), the occupation or nature of each shareholder;
- (2) the class and the quantity of shares held by each shareholder;
- (3) the amount paid-up or payable on the shares held by each shareholder;
- (4) the share certificate number of the shares held by each shareholder;
- (5) the date on which each shareholder registers as a shareholder; and
- (6) the date on which each shareholder ceases to be a shareholder.

Unless there is evidence to the contrary, the register of shareholders shall be sufficient evidence of the shareholder's shareholding in the Company. Shareholders shall enjoy such rights and undertake such liabilities in accordance with the class of shares they hold. Shareholders of the same class of shares shall enjoy the same rights and undertake the same liabilities.

Article 43 The Company may, in accordance with the mutual understanding and agreements made between the securities regulatory authority of the State Council and overseas securities regulatory organisations, maintain the register of shareholders for overseas listed foreign shares in foreign countries and appoint an overseas agent to manage such register. The original register of shareholders for H Shares shall be maintained in Hong Kong. (MP35)(LR App.13, Part D para 1(b))

A duplicate of the register of shareholders for overseas listed foreign shares shall be maintained at the Company's residence. The appointed overseas agent shall ensure consistency between the original and the duplicate register of shareholders for overseas listed foreign shares at all times.

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

Article 44 The Company shall maintain a complete set of register of shareholders. (MP36)

The register of shareholders shall include the following parts:

- (1) the register of shareholders which is maintained at the Company's residence, other than those registers of shareholders which are described in paragraphs (2) and (3) of this article;
- (2) the register of shareholders for overseas listed foreign shares of the Company which is maintained at the place of stock exchange of overseas listed securities; and
- (3) the register of shareholders which is maintained at such other place as the board of directors may consider necessary for the purpose of the listing of the Company's shares.

Article 45 Different parts of the register of shareholders shall not overlap. No transfer of any shares registered in any part of the register shall, during the continuance of that registration, be registered in any other part of the register. (MP37)

Changes or amendments of different parts of the register of shareholders shall be carried out in accordance with the laws at the place of maintenance of different parts of the register of shareholders.

Article 46 All the fully paid-up H Shares can be freely transferred (subject to the situations permitted by Hong Kong Stock Exchange) without the restriction of any lien. However, the board of directors may refuse to recognise any instrument of transfer without giving any reason unless such transfer is carried out in compliance with the following conditions: (Zheng Jian Hai Han Art. 12)(LR App.3 para 1(2))

- (1) transfer document and other document relating to or affecting ownership of any shares must be registered and a registration fee must be paid to the Company as

- per the standard specified in the Listing Rules; (LR App.3, para 1(1))
- (2) transfer documents are related to H Shares only;
- (3) stamp duty as required by laws in Hong Kong has been paid for the transfer document;
- (4) relevant share certificates and evidence that the transferor has the right to transfer such shares as reasonably required by the board of directors shall be provided;
- (5) if the shares are to be transferred to joint holders, the number of joint holders shall not exceed four (4); (LR App.3, para 1(3))
- (6) the Company has no lien over the relevant shares. (Zheng Jian Hai Han Art. 12)(LR App.3 para 1(2))

Any holder of H Shares may transfer all or part of his shares of the Company via the common written transfer document of Hong Kong or via a transfer document signed by hand or in printed form. The standard transfer form specified by Hong Kong Stock Exchange may be used for the aforesaid share transfer. The transfer document shall be signed by the transferor and transferee either by hand or in printed form.

All transfer documents shall be kept at the legal address of the Company, the address of share registrar or other place designated by the board of directors from time to time.

Article 47 Changes in the register of shareholders due to the transfer of shares should not be made within thirty (30) days before the general meeting or five (5) days before the record date for the Company's distribution of dividends. (MP38)

Article 48 In the event that the Company convenes a general meeting, distributes dividends, enters into liquidation or carries out other activities necessary for the ascertainment of shareholding, the board of directors shall fix a day for ascertainment of the shareholding and those shareholders who remain on the register of shareholders upon the close of such day shall be the shareholders of the Company. (MP39)

Article 49 Any person who disputes the register of shareholders and requests to have his name (title) registered thereon, or requests to have his name (title) removed therefrom may apply to the court having jurisdiction to rectify the register of shareholders. (MP40)

Article 50 If any shareholder whose name has been registered in the register of shareholders or any person who requests to have his name (title) entered into the register of shareholders has lost his share certificates ("Original Certificates"), he may apply to the Company for the issue of replacement certificates in respect of such shares ("Relevant Shares"). (MP41)

In respect of the loss of share certificates by holders of Domestic Shares, the replacement share certificates shall be applied in accordance with relevant requirement under the Company Law.

In respect of the loss of certificates by holders of overseas listed foreign shares, application for replacement shall be made in accordance with the laws, rules of the relevant recognised stock exchange or other relevant provisions of the place where the original register of shareholders for overseas listed foreign shares is kept.

For applications for replacement of lost share certificates relating to holders of H Shares, the replacement of such certificates shall be subject to the following requirements:

- (1) Applicants shall submit an application in standard form designated by the Company together with a notarial certificate or statutory declaration. The notarial certificate or statutory declaration shall include the reason for the application made by the applicant, the circumstances under which the share certificates were lost with supporting evidence and a declaration that no other

persons may request to be registered as a shareholder in respect of the Relevant Shares.

- (2) The Company shall not have received any declaration from any person other than the applicant requesting registration as the shareholder of such shares prior to the decision of the Company to issue a replacement share certificate.
- (3) If the Company decides to issue a replacement share certificate to the applicant, an announcement of the issue of a replacement share certificate shall be published in the newspapers designated by the board of directors and in compliance with the requirements of the Listing Rules, or in form of announcement as allowed by the Listing Rules; the period for such announcement shall be ninety (90) days and such announcement shall be published at least once every thirty (30) days during such period.
- (4) Prior to publishing the announcement of the issue of a replacement certificate, the Company shall prepare and submit a copy of such announcement to be published on Hong Kong Stock Exchange. The announcement can be published immediately upon the reply from Hong Kong Stock Exchange confirming that such announcement has been published on Hong Kong Stock Exchange. The period for the exhibition of such announcement at Hong Kong Stock Exchange shall be ninety (90) days.

If the consent to the application for a replacement certificate has not been obtained from the registered shareholder of the Relevant Shares, the Company shall send to such shareholder by post a copy of such announcement to be published.

- (5) Upon the expiry of the 90-day period for the publication and exhibition of the said announcement as provided in paragraphs (3) and (4) of this article and no objection being received by the Company from any person to the replacement of such certificate, a replacement share certificates shall be issued pursuant to the applicant's application.
- (6) In issuing a replacement share certificate pursuant to this article, the Company shall immediately cancel the Original Certificates and such cancellation and replacement shall be registered in the register of shareholders.
- (7) All costs incurred by the Company in connection with the cancellation of the Original Certificates and issuing replacement share certificates shall be borne by the applicant. Unless the applicant provides reasonable security on such costs, the Company shall be entitled to refuse to take any action.

Article 51      Upon the issuance by the Company of a replacement share certificate pursuant to the provisions of the Articles of Association, the name (title) of a bona fide purchaser who acquired the new share certificate aforesaid or a shareholder who is subsequently registered as the owner of such shares (if a bona fide purchaser) shall not be removed from the register of shareholders. (MP42)

Article 52      The Company shall assume no liability for any loss sustained by any person as a result of the cancellation of the Original Certificates or issuance of replacement share certificates, unless it can be proved that the Company has taken fraudulent acts. (MP43)

## **Chapter 8   Rights and Obligations of Shareholders**

Article 53 A shareholder of the Company is a holder of share of the Company in accordance with laws and whose name (title) is entered in the register of shareholders. (MP44)

A shareholder shall have rights and shall undertake the obligations in accordance with the class and the number of shares held by him; the shareholders of the same class of shares shall have the same rights and shall undertake the same obligations.  
(LR App3, para 9)

Each class of shareholders of the Company enjoys the same rights over dividends or any distribution in other forms.

When more than two (2) persons are registered as joint shareholders of any shares of the Company, they shall be deemed as joint holders of the relevant shares but subject to following conditions:

- (1) the Company shall not register more than four (4) persons as joint shareholders of the Company. (LR App3, para 1(3))
- (2) where there are joint shareholders, if one of the joint shareholders passes away, the other remaining persons who are joint shareholders shall be deemed to be the persons who hold the relevant shares, but the board of directors has the right to require his death certificate for the purpose of revising the register of shareholders. For the joint shareholders of any shares, only the joint shareholder ranked first on the register of shareholders has the right to receive relevant share certificates, notifications from the Company, to attend general meetings and to vote. Any notification delivered to such person shall be deemed as delivered to all joint shareholders of the relevant shares.

Article 54 The ordinary shareholders of the Company shall enjoy the following rights:  
(MP45)(LR App.3, para9)

- (1) to receive dividends and other distributions in proportion to the number of shares held by him;
- (2) to attend or appoint a proxy to attend general meetings and to vote thereat;
- (3) to supervise business management of the Company and to raise suggestions or inquiries;
- (4) to transfer the shares held by him in accordance with the requirements of the laws, administrative regulations and the Articles of Association;
- (5) to obtain relevant information according to the provisions of the Articles of Association, including:
  1. to receive a copy of the Articles of Association upon payment of the cost thereof;
  2. to inspect and copy upon payment of reasonable charges:
    - (1) all parts of the register of shareholders;
    - (2) the following personal information of the directors, supervisors, general managers, deputy general managers and other senior managerial officers:
      - (a) present and former name and alias;
      - (b) principal address (residential);
      - (c) nationality;
      - (d) primary and all other part-time occupations and duties;
      - (e) identification documents and their numbers;
    - (3) the state of the Company's share capital;
    - (4) a report showing the total nominal value, number, and highest and lowest prices of each class of shares repurchased by the Company since the end of the last accounting year, and the aggregate expenses paid by the Company for the purpose; and
    - (5) minutes of general meetings;
- (6) in the event of the termination or liquidation of the Company, to participate in the distribution of surplus assets of the Company according to the number of shares held by him; and
- (7) other rights conferred by the laws, administrative regulations and the Articles of Association.



The Company shall not exercise any right to freeze or otherwise damage the rights attached to any shares directly or indirectly held by any person only on the ground that the said person has not disclosed his equity to the Company. (LR App3 para 12)

Article 55 Where the shareholder requires to review the aforesaid relevant information or asks for the relevant documents, he shall provide the Company with documentary proof in relation to the class of shares and the shareholdings he held, the Company will provide the same after the identity of the shareholder has been verified.

Article 56 Where the resolutions of the general meetings or board meetings violate the laws and administrative regulations, the shareholders are entitled to petition to the People's Court to announce the verdict of its nullity (for holders of foreign shares, refer to article 267 of the Articles of Association).

Where the procedures of convening and means of voting of the general meetings or the board meetings violate the laws, administrative regulations and this Articles of Association, the shareholders are entitled to petition to the People's Court to revoke the resolution within sixty (60) days as of the date of its making (for holders of foreign shares, refer to article 267 of the Articles of Association).

Article 57 Where the directors, general managers, deputy general managers and other senior managerial officers violate the laws, administrative regulations or the provisions of this Articles of Association in time of fulfilling their duties and thereby have caused damage to the Company, the shareholders with one per cent (1%) of shares singly or jointly for no less than one hundred and eighty (180) days are entitled to require supervisory committee in written application to file a suit to the People's Court; where the violation of law by supervisory committee in time of performing its duty causes damage to the Company, the shareholders are entitled to require the board of directors in written application to file a suit to the People's Court (for holders of foreign shares, refer to article 267 of the Articles of Association).

Where the board of directors and supervisory committee refuse to file suit after having received the written application as described in the aforesaid paragraph, or fail to do so within thirty (30) days as of its acknowledgement, or the delayed sue may cause irreparable loss to the Company, the shareholders as prescribed in the aforesaid paragraph are entitled to file a suit directly to the People's Court in their own names (for holders of foreign shares, refer to article 267 of the Articles of Association).

Where the infringement of the lawful rights of the Company has caused damage to the Company, the shareholders as prescribed in paragraph 1 of this article are entitled to file a suit to the People's Court pursuant to aforesaid 2 paragraphs (for holders of foreign shares, refer to article 267 of the Articles of Association).

Where the violation of laws, administrative regulations or the provisions of this Articles of Association by the directors, general managers, deputy managers and other senior managerial officers has caused damage to the shareholders, the latter may file a suit to the People's Court (for holders of foreign shares, refer to article 267 of the Articles of Association).

Article 58 The Company's ordinary shareholders shall undertake the following obligations:  
(MP46)

- (1) to comply with the Articles of Association;
- (2) to pay subscription monies according to the number of shares subscribed and the method of subscription;

- (3) not to divest the shares other than as provided by laws or administrative regulations;
- (4) not to abuse their shareholders' right to prejudice the interests of the Company or other shareholders; not to abuse the independence of the Company as a legal person and the limited liabilities of shareholders to prejudice the interests of creditors of the Company;

Shareholders of the Company who abuse their rights as shareholders and cause losses to the Company or other shareholders shall be liable to compensation under the laws.

Shareholders of the Company who abuse the independence of the Company as a legal person and the limited liabilities of shareholders to evade repayment of debts and cause material damage to the interests of its creditors shall be jointly and severally held liable to the Company's debts.

- (5) other obligations imposed by laws, administrative regulations and the Articles of Association.

Except for the terms agreed by the share subscriber at the time of share subscription, a shareholder shall not be liable for any subsequent increase of capital.

Article 59 A shareholder holding more than five per cent (5%) of the voting shares of the Company pledges his shares, he shall submit a report in written form to the Company upon the occurrence.

Article 60 The controlling shareholders or the de facto controllers shall not use their correlative relationship to damage the interests of the Company. In the event that the requirement under this Article is breached and a loss to the Company is resulted, such persons shall be liable to compensate for the loss.

The controlling shareholders and the de facto controllers of the Company shall owe fiduciary duty to the Company and other shareholders of the Company. The controlling shareholders shall exercise their rights in strict compliance with the laws and shall not damage the interests of the Company and other public shareholders by means of profit distribution, asset restructuring, external investment, misappropriation of capital, loan guarantee, and so on, and shall not damage the interests of the Company and other public shareholders by means of their controlling positions.

Save for the obligations as required under the laws, administrative regulations or listing rules of the stock exchange where the Company's shares are listed, controlling shareholders shall not make decisions harmful to the benefits of all or some of the shareholders when exercising their power as shareholders, and by exercising their voting rights on the following matters: (MP47)

- (1) to exempt the directors or supervisors from their responsibilities to take bona fide actions in the best interests of the Company;
- (2) to approve the directors or supervisors to expropriate the Company's assets for their own or other persons' benefits, including (but not limited to) any opportunities beneficial to the Company; and
- (3) to approve the directors or supervisors (for their own or other persons' benefits) to deprive other shareholders of their personal interests, including (but not limited to) any distribution right or voting right, but excluding any company reorganisation submitted and passed by the general meeting in accordance with the Articles of Association.

- Article 61 A controlling shareholder referred to in the preceding article means any person who satisfies one of the following conditions: (MP48)
- (1) the person individually or when acting in concert with others is entitled to elect more than half (1/2) of the directors;
  - (2) the person individually or when acting in concert with others is entitled to exercise over thirty per cent (30%) (inclusive) of the voting rights or may control the exercise of thirty per cent (30%) (inclusive) of the voting rights of the Company;
  - (3) the person individually or when acting in concert with others holds over thirty per cent (30%) (inclusive) of the Company's shares in issue;
  - (4) the person individually or when acting in concert with others, has de facto control over the Company by other means; or
  - (5) any other person defined to be a controlling shareholder under the Listing Rules.
- “Acting in concert” in this article refers to the action in which two (2) or more persons arriving at a consensus by way of agreement (whether orally or in writing), to obtain the voting rights in the Company through any one of them, for the purpose of achieving or consolidating the control over the Company.

- Article 62 Where a shareholder holding shares carrying five per cent (5%) or more of the total voting rights in the Company provides guarantee for himself or others with the Company's shares, a report in writing shall be made to the Company on the date of the occurrence of such fact.

## **Chapter 9 General Meetings**

- Article 63 The general meeting is the body conferring authority on the Company, which exercises the following powers in accordance with laws: (MP49)
- (1) to decide on the Company's operational policies and investment plans; (MP50)
  - (2) to elect or remove the directors, and decide on matters relating to the remuneration of directors;
  - (3) to elect and replace supervisors not representing the staffs, and to decide remuneration of the relevant supervisor;
  - (4) to consider and approve reports of the board of directors;
  - (5) to consider and approve reports of the supervisory committee;
  - (6) to consider and approve the Company's proposed annual financial budget and final accounts;
  - (7) to consider and approve the Company's proposals for profit distribution and recovery of losses;
  - (8) to resolve on the increase or reduction in the Company's registered capital;
  - (9) to resolve on issues such as material external investment, merger, division, dissolution and liquidation of the Company;
  - (10) to resolve on the issue of bonds of the Company;
  - (11) to resolve on the appointment, removal or cessation of appointment of the Company's accountants firm;
  - (12) to amend the Articles of Association of the Company;
  - (13) to consider motions of shareholders representing three per cent (3%) (inclusive) or more of the voting shares in the Company; and
  - (14) to consider and approve particulars of external guarantee prescribed in article 64;
  - (15) to consider and approve material purchase or sale of assets of the Company within 1 year with value over 30% of the total assets;
  - (16) to consider and approve change in use of proceeds.
  - (17) to consider and approve share option scheme;
  - (18) to resolve on any other matters at general meetings as required under the laws, administrative regulations and this Articles of Association.

Proceedings which, in accordance with the provisions of the laws, administrative regulations and the Articles of Association, are required to be approved by the general meetings must only be considered at such meetings so as to protect the decision-making power of the shareholders of the Company on such proceedings. Under necessary and reasonable circumstances, the general meeting may authorize the board of directors to decide, as permitted by laws, regulations and the Articles of Association and within the scope of authorization granted by the general meeting, specific issues relating to proceedings which cannot be decided at the general meeting.

- Article 64 Following particulars of external guarantee issued by the Company and its controlling subsidiaries require consideration and approval by the general meeting:
- (1) value of a single guarantee exceeds ten per cent (10%) of the latest audited net assets of the Company;
  - (2) guarantee provided to the guarantee objective whose asset liability ratio exceeds seventy per cent (70%);
  - (3) any guarantee after the value of total external guarantee of the Company and its controlling subsidiaries that reaches fifty per cent (50%) or more of the latest audited net assets of the Company;
  - (4) any guarantee after the value of total external guarantee of the Company that reaches thirty per cent (30%) or more of the latest audited total assets of the Company;
  - (5) guarantee provided to shareholders, the de facto controller and their respective related party;
  - (6) other guarantees prescribed by laws, regulations, listing rules of relevant stock exchange or the Articles of Association which require approval by shareholders meeting.

- Article 65 The Company shall not, without prior approval of shareholders in general meeting, enter into any contract with any person other than a director, supervisor, general manager, deputy general manager or other senior managerial officer whereby the management of the whole or any substantial part of the business of the Company is to be handed over to such person. (MP51)

- Article 66 General meetings shall be divided into annual general meetings and extraordinary general meetings. The general meetings shall be convened by the board of directors. Annual general meetings are held once every year within six (6) months after the last financial year end. (MP52)

The board of directors shall convene an extraordinary general meeting within two (2) months upon the occurrence of the following events:

- (1) when the number of directors falls below the number required by the Company Law or two-thirds (2/3) of the number required by the Articles of Association;
- (2) when the losses of the Company which have not been made up amount to one-third (1/3) of the total share capital of the Company;
- (3) upon written requisition of shareholders holding ten per cent (10%) (inclusive) or more of the issued shares carrying voting rights (excluding the voting rights for proxies) for the convening of an extraordinary general meeting;
- (4) when the board of directors deems necessary or the supervisory committee proposes to convene the same; and
- (5) other circumstances as required under the laws, administrative regulations, departmental rules or the Articles of Association.

The number of shares as referred in (3) above is calculated based on the shares being held by the relevant shareholders at the time when they give a written requisition.

If the Company fails to convene the general meeting within the above period, it shall report to the authority appointed by CSRC in the location of the Company and the stock exchange where its shares are listed, and shall give the reasons and make an

announcement in respect thereof.

Article 67 Independent directors have the right to propose to the board of directors the convention of extraordinary general meetings. With regard to the proposal, the board of directors shall, in accordance with the provisions in laws, administrative regulations and the Articles of Association, make feedback in written form concerning approval or disapproval of convention of extraordinary general meeting within ten (10) days as of its acknowledgement.

Where the board of directors approves the convention of the extraordinary general meeting, a notice shall be issued thereof within five (5) days after the board resolution been passed; where the board of directors disapproves the convention of extraordinary general meeting, the board of directors shall give the reasons and make an announcement in respect thereof.

Article 68 Supervisory committee is entitled to propose the convention of the extraordinary general meeting to the board of directors in written form. The board of directors shall, in accordance with the provisions in laws, administrative regulations and the Articles of Association, make feedback in written form concerning approval or disapproval of convention of extraordinary general meeting within ten (10) days as of its acknowledgement.

Where the board of directors approves the convention of the extraordinary general meeting, a notice shall be issued thereof within five (5) days after the decision has been made by the board resolution been passed and the alteration of the original proposal in the notice shall have the approval of supervisory committee.

Where the board of directors disapproves the convention of extraordinary general meeting or fails to make feedback within ten (10) days as of its acknowledgement, it shall be deemed incapable or refused to fulfill the obligation of the convention of extraordinary general meeting. Supervisory committee may thereby convene and preside over the meeting.

Article 69 Where the shareholders ask for the convention of extraordinary general meeting or class meeting, shall be handled in accordance to the following procedures: (MP72)

Shareholders singly or jointly hold more than ten per cent (10%) of the shares of the Company have the right to propose in written form the convention of extraordinary general meeting to the board of directors. The board of directors shall, in accordance with the provision in laws, administrative regulations and the Articles of Association, make feedback in written form concerning the approval or disapproval of convention of extraordinary general meeting within ten (10) days as of its acknowledgement.

Where the board of directors approves the convention of extraordinary general meeting, a notice shall be issued thereof within five (5) days after the board resolution be passed and the alteration of the original proposal in the notice shall have the approval of the concerned shareholders.

Where the board of directors disapproves the convention of extraordinary general meeting or fails to issue the feedback within ten (10) days after receive request, the shareholders singly or jointly holding more than ten per cent (10%) of the Company's share is entitled to propose in written form the convention of extraordinary general meeting to supervisory committee.

Where supervisory committee approves the convention of extraordinary general meeting, a notice shall be issued thereof within five (5) days and the alteration of the original proposal in the notice shall have the approval of the concerned shareholders.

Where supervisory committee fails to issue the notice within the prescribed time limit,

it shall be deemed refused to convene and preside over the general meeting and the shareholders singly or jointly holding more than ten per cent (10%) of the Company's share for more than ninety (90) consecutive days may convene and preside over the meeting themselves. Procedures of convening such general meeting shall follow the same as procedures of convening such meeting by the board of directors as far as possible.

Where the general meeting is convened by shareholders themselves due to the aforesaid failure of the board of directors and supervisory committee, the reasonable cost incurred for the meeting shall be borne by the Company and be deducted from the amount payable to the directors and supervisors responsible for the neglect of duty.

Article 70 Where supervisory committee decides to convene the general meeting themselves, they shall notify the board of directors in written form and make filing with the local branches designated by CSRC and the stock exchange.

Where the general meeting is convened and presided by shareholders themselves, prior to the announcement of the member resolutions, shareholding of the shareholders convening the meeting shall not be less than ten per cent (10%).

Where the general meeting is convened and presided by shareholders themselves, the shareholders convening the meeting shall, at the time of issue the notice of general meeting and announcement of shareholders resolutions, submit relevant documentary proof to the local branches designated by CSRC and the stock exchange.

Article 71 With respect to the general meeting convened by supervisory committee or shareholders themselves, the board of directors and board secretary shall give coordination. The board of directors shall provide the register of members of the stock registration date.

Article 72 Where the general meeting is convened independently by supervisory committee or shareholders themselves, the necessary cost incurred by the meeting shall be borne by the Company.

Article 73 When the Company convenes a general meeting, it shall, not less than forty-five (45) days before the meeting, issue a written notice to all shareholders whose names appear in the register of shareholders setting out matters to be considered and the date and venue of the meeting. Shareholders intending to attend the general meeting shall give the Company a written reply stating his intention to attend the meeting twenty (20) days prior to the date of the meeting.

When calculate the time limit, the date of meeting shall not be included. (MP53)

Article 74 Where convening the general meeting, the board of directors, supervisory committee and shareholders singly or jointly holding more than three per cent (3%) of the Company's share are entitled to raise proposal to the Company. The Company shall include such items of the proposal that are within the scope of duty of the general meeting to the meeting agenda. Motions in the general meeting shall fulfill the following conditions: (MP54)

- (1) the contents are not in contradiction with the requirements under the laws, administrative regulations and the Articles of Association, and within the Company's operation scope and the scope of powers of the general meeting;
- (2) with specific subject and actual matters to be resolved;
- (3) submitted or delivered to the board of directors in writing.

Shareholders singly or jointly holding more than three per cent (3%) of the Company's share may, ten (10) days prior to the convention of the general meeting, raise interim proposal and submit it to the convener in written form. The convener shall, within two (2) days after its acknowledgement, issue a supplemental notice of

the general meeting and announce the content of the interim proposal.

Save as prescribed in the previous paragraphs, the convener shall not, after having issued notice hereof, revise the proposals set out in the notice of general meeting or add new proposals.

Where the proposals are failed to be set out or not comply with the prescribed paragraph of this Articles of Association, the general meeting shall not vote and make resolution.

Article 75

The Company shall, based on the written replies received by the Company twenty (20) days (exclusive of the date of meeting) prior to the date of a general meeting, calculate the number of voting shares represented by shareholders who have indicated their intention to attend the meeting. Where the number of voting shares represented by such shareholders reaches half (1/2) of the Company's total number of voting shares, the Company may convene the general meeting. Otherwise, the Company shall, within five (5) days, inform the shareholders again of the motions to be considered, the date and venue of the meeting by way of a public announcement. After making the announcement, the general meeting may be convened. (MP55)

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

Article 76

A notice of general meeting shall meet the following requirements: (MP56)

- (1) be in writing;
- (2) stock registration date of the shareholder having the right to attend the general meeting;
- (3) specify the venue, date and time of the meeting;
- (4) state the matters to be discussed at the meeting;
- (5) provide such information and explanation as are necessary for the shareholders to make an informed decision on issues to be discussed; including (but not limited to) where a proposal is made to amalgamate the Company with another, repurchase shares of the Company, reorganise the share capital, or restructure the Company in any other way, the terms of the proposed transaction must be provided in detail together with copies of the proposed contract, if any, and the cause and effect of such proposal must be properly explained;
- (6) contain a disclosure of the nature and extent of the material interests of any director, supervisor, general manager, deputy general manager or other senior managerial officer in the matters to be discussed and the effect of the matters to be discussed on such director, supervisor, manager, or other senior managerial officer in his capacity as shareholder in so far as it is different from the effect on the interests of other shareholders of the same class;
- (7) contain the full text of any special resolution to be proposed at the meeting;
- (8) contain a clear statement that a shareholder entitled to attend and vote is entitled to appoint one (1) or more proxies to attend and vote at such meeting on his behalf and that a proxy need not be a shareholder;
- (9) specify the time and place for lodging the proxy form for the relevant meeting.
- (10) name and phone number of the permanent associated person;
- (11) where the general meeting adopts means of internet, it shall, in the notice, set out expressly the voting time and procedures of internet means.

The time gap between the stock registration date and the date of meeting shall be no more than seven working days. Once the stock registration date is fixed, it shall not be altered.

The written reply from shareholders who intend to attend general meetings shall include the following contents:

- (1) the time of receipt of written notice of general meeting;
- (2) the content of the written notice of general meeting is complete and clear;
- (3) whether oneself will attend in person; if not, whether a proxy is appointed to

- attend; and  
(4) the name and telephone number of oneself or his proxy.

Article 77 Notice of general meeting shall be served on each shareholder (whether or not such shareholder is entitled to vote at the meeting), by personal delivery or prepaid airmail to the addressee as shown in the register of shareholders. For the holders of Domestic Shares, notice of the meetings may also be issued by way of public announcement.

The announcements referred to in the preceding paragraph shall be published in one or several approved newspapers designated by the securities regulatory authorities under the State Council. All holders of Domestic Shares shall be deemed to have received the relevant notices of general meetings once such announcements have been published; Notices of general meetings to Shareholders of H Share shall be published through Hong Kong Stock Exchange's website or in one or several newspapers designated by it. All the holders of H Share shall be deemed to have received the relevant notices of general meetings once such announcements have been published.

Article 78 The accidental omission to give notice of a meeting to, or the non-receipt of notice of a meeting by, any person entitled to receive notice shall not invalidate that meeting or any resolutions passed thereat. (MP58)

Article 79 Any shareholder who is entitled to attend and vote at a general meeting shall be entitled to appoint one or more persons (whether a shareholder or not) as his proxies to attend and vote as directed by the shareholder, and a proxy so appointed shall:  
(1) have the same right as the shareholder to speak at the meeting; and  
(2) have the right to vote on a poll.

Article 80 The instrument appointing a proxy must be in writing under the hand of the Shareholder or his attorney duly authorised in writing. For a legal person Shareholder, the instrument must be affixed with the common seal or signed by its director, or an attorney or a person duly authorised. (MP 60)

The power of attorney of shareholders appointing others to attend general meetings shall set out the following contents:

- (1) name of the proxy;
- (2) whether the proxy has voting right or not;
- (3) indications to vote for, vote against or abstain from voting on every matter to be included in the agenda for consideration at the general meeting;
- (4) date of issue of the power of attorney and the effective date;
- (5) the signature (or seal with a chop) of the appointor or his proxy appointed in writing. For a legal person Shareholder, the power of attorney shall be sealed with the chop of the corporate body, or signed by its director or by the proxy duly appointed.

Article 81 Where the proceedings of election of directors and supervisors are scheduled to be discussed, the notice shall disclose the detailed information of the directors and supervisors, including at least the following contents:

- (1) such personal information as education background, working experience and part-time job and etc.;
- (2) whether he is associated with the Company and its controlling shareholders and the de facto controller;
- (3) disclose his shareholdings in the Company;
- (4) any past record of being penalized by CSRC or other related departments and a stock exchange.

Except the election of directors and supervisors by means of cumulative voting, each director and supervisor candidate shall be raised by single proposal.



- Article 82           Once the notice of general meeting is issued, the general meeting shall not be postponed or cancelled without justifiable cause and the proposals set out in the notice shall not be cancelled. Once postponement or cancellation occurs, the convener shall make an announcement and disclose the reasons at least two (2) days before the original date of general meeting.
- Article 83           The board of directors of the Company and other convener shall take necessary measures to ensure the normal order of general meetings. The board of directors of the Company and other convener shall take measures to stop acts interfering of the general meeting, provoking and infringing the lawful rights of the shareholders and report them promptly to the relevant authorities for investigation and prosecution.
- Article 84           All the shareholders and their proxy registered on the stock registration date have right to attend the general meeting and carry out the voting rights in accordance with the relevant laws, regulations and the Articles of Association.
- The shareholders may either attend the general meeting on their own, or entrust their proxy to attend the meeting and vote.
- Article 85           Where an individual shareholder attends the general meeting, he shall present his identification card or other valid certificate of his identification and stock account card; where the individual shareholder entrusts proxy to attend the meeting, the proxy shall present his valid certificate of identification and the proxy form issued by the shareholder.
- Corporate shareholder shall entrust its legal representative or other proxy entrusted by the legal representative to attend the meeting. Where the legal representative attend the meeting, he shall present the identification card, valid certificate to show his legal representative status; where the proxy is entrusted to attend the meeting, the proxy shall present his identification card, the proxy form lawfully issued by the legal representative in written form.
- Article 86           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 registered address of the Company or such other place as the notice of meeting may specify. If the instrument appointing a proxy has been signed by a person authorised by the appointor, the power of attorney or other instruments of authorisation shall be notarised. The power of attorney or other instruments of authorisation so notarised together with the proxy form shall be deposited at the registered address of the Company or such other place as the notice of meeting may specify. (MP61)
- In the event that the appointor is a legal person, such shareholder shall be represented at the shareholders' meeting of the Company by its legal representative or the person authorised by the board of directors or other governing body of such appointor.
- In the event that a shareholder of the Company is a recognised clearing house (as defined in the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), it may appoint a proxy (or proxies) it considers appropriate to attend any general meeting or class meeting of the Company. If more than one (1) proxy is appointed, the proxy form to appoint such proxy (or proxies) shall set out the number and class of shares such proxy (or proxies) is (are) authorised for. The person (or persons) so authorised is (are) entitled to exercise the right of and on behalf of the clearing house (or its nominee) as if such shareholder is an individual shareholder of the Company.
- Article 87           The instrument delivered to a shareholder by the board of directors of the Company for appointing a proxy shall be in such form so as to enable the shareholder to instruct

freely at his choice the proxy to vote in favour of or against and to give instruction on each item of the business put to vote at the meeting. Such instrument of proxy shall specify that in default of instruction from the shareholder, the proxy may vote in such a way as he thinks fit. (MP62)

Article 88 Notwithstanding the death or incapacity of the appointor, or the revocation of the appointment or revocation of the authority under which the appointing instrument is signed, or the relevant shares have been transferred, a vote given by such proxy pursuant to the instrument of appointment shall still be valid provided that no notice in writing in respect of the events mentioned above has been received by the Company prior to the commencement of the relevant meeting. (MP63)

Article 89 The Company shall be responsible for the preparation of the register of attendant of the meeting. The attendant register shall bear the names of the participants (or names of the entities), identity card numbers, addresses of domicile, numbers of shares with voting rights held or represented, names of the appointors (or names of the entities) and so on.

Article 90 The convener and the lawyer employed by the Company, shall, in accordance with the register of members provided by the securities registration and clearing institutions, jointly verify the legality of the qualification of the shareholder, and registered full name (or name) of the shareholder and their shareholdings carrying voting rights. Prior to the announcement by the convener of the number of shareholders and proxies attending the meeting and the total number of shares carrying voting rights held by them, the registration shall be ceased.

Article 91 Where convening the general meeting, all directors, supervisors and board secretary shall attend the meeting, general manager, deputy general manager and other senior managerial officers shall attend as non-voting delegates.

Article 92 The general meeting shall be convened and presided by chairman of the board of directors; where the chairman of the board of directors is unable to attend the meeting, it shall be convened and presided by the vice chairman of the board of directors; where both chairman and vice chairman of the board of directors are unable to attend the meeting, chairman of the board of directors may appoint a director to convene and preside the meeting; where chairman of the meeting is not appointed, the shareholders attend the meeting may elect one person to preside as chairman of the meeting; where the shareholders fail to elect chairman of the meeting for any reason, the shareholder (including the proxy) attending the meeting holding the largest number of shares carrying voting rights shall preside as chairman of the meeting. (MP73)

The general meeting convened by supervisory committee on its own, shall be presided by the chairman of supervisory committee. Where the chairman of supervisory committee is unable or fails to carry out the duty, a supervisor may be jointly elected by more than half (1/2) of the total number of supervisors to preside the general meeting.

The general meeting convened by the shareholders themselves, the convener shall choose representative to preside the general meeting.

Where the chairman of the general meeting violates the rules of the procedure in the general meeting, so that the meeting is unable to continue, a chairman of meeting may, with the approval of half (1/2) of votes from the attending shareholders, be elected from and by the general meeting to continue the meeting.

Article 93 The general meeting shall establish the rules of procedures, prescribe the detailed convention and vote procedure hereof, including notice, registration, consideration of

the proposal, voting, count of votes, announcement of the voting results, formulation of the decision of the meeting, meeting minutes and its signature and announcement as well as the principal of delegation from the general meeting to the board of directors which shall be definite and specific. The rules of procedures shall be deemed as the appendix of the Articles of Association, formulated by the board of directors and approved by the general meeting.

Article 94 The board of directors and supervisory committee shall, in the annual general meeting, report to the general meeting its work for the past year and each independent director shall also report his work.

Article 95 Directors, supervisors, general manager, deputy general manager and other senior managerial officers shall give interpretation and explanation upon the inquiry and comment raised by the shareholders at the general meetings.

Article 96 The chairman of the meeting shall, prior to the vote, announce the number of shareholders and proxies attending the meeting and the total volume of the voting shares held by them which take the meeting registration as a criterion.

Article 97 The general meeting shall have meeting minutes and shall be in charged by board secretary. The meeting minutes shall record the following information:

- (1) time, place, agenda and name of convener;
- (2) name of the chairman and the attending directors, supervisors, president and other senior managerial officers;
- (3) number of the attending shareholders and proxies, total number of their holding shares carrying voting rights and its proportion herein;
- (4) consideration procedure, main point of the speech and statement and voting result of each proposal;
- (5) inquiry opinion or comment of the shareholders and the relevant reply or explanation;
- (6) name of the lawyer, vote counter and poll scrutinizer;
- (7) other items that shall be recorded as prescribed in this Articles of Association.

Article 98 The convener shall guarantee the authenticity, preciseness and intactness of the meeting minutes. The attending directors, supervisors, board secretary, convener or his representative and the chairman of the meeting shall sign on the meeting minutes, which shall be kept for no less than ten (10) years together with the attendance sheet of shareholders, proxy forms and valid information of voting via internet and other means.

Article 99 The convener shall ensure the continuity of the general meeting until the final decision is settled. Where such specific cause as force majeure events in the suspension or failure to make a decision, necessary measures shall be taken to resume the general meeting as soon as possible or put an end to the meeting and make immediate announcement. Meanwhile, the convener shall report to the local branch of CSRC and the stock exchange.

Article 100 Resolutions of general meetings shall be classified as ordinary resolutions and special resolutions. (MP64)

An ordinary resolution of a general meeting shall be passed by more than one half (1/2) of the voting rights held by the shareholders (including their proxies) who are present at the general meeting.

A special resolution of a general meeting shall be passed by more than two-thirds (2/3) of the voting rights held by the shareholders (including their proxies) who are present at the general meeting.

- Article 101 When shareholders (including proxies) vote in the general meeting, and exercise the voting rights by the number of voting shares they represent, each share shall have one (1) vote. However, shares of the Company held by the Company shall have no voting rights. (MP65)
- Where any shareholder is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted. (LR App.3, para 14)
- Article 102 Pursuant to the Listing Rules, any vote of shareholders must be taken by poll, and the Company must announce the results of the poll in the manner prescribed in the Listing Rules. (LR Rule 13.39(4))
- Article 103 If a vote is demanded for the election of the chairman or the adjournment of the meeting, a poll shall be taken immediately; in respect of votes for other matters, the time for such a poll shall be decided by the chairman of the meeting and other business may be proceeded with at the meeting. The result of such a poll shall still be deemed as a resolution passed at the meeting. (MP67)
- Article 104 On a poll taken at a meeting, shareholders (including their proxies) who are entitled to two (2) votes or more are not required to cast all their votes in favour of or against a resolution. (MP68)
- Article 105 A-share general meetings shall adopt voting by open ballot. (MP69)
- Article 106 The following matters shall be passed by ordinary resolution at a general meeting: (MP71)
- (1) the working reports of the board of directors and the supervisory committee;
  - (2) plans for profit distribution and for making up of losses proposed by the board of directors;
  - (3) appointment and removal of the members of the board of directors and the members of the supervisory committee and their remuneration and method of payment; (LR App3 para4(3))
  - (4) annual budget, statement of final accounts, balance sheet, profit and loss statement and other financial statements of the Company; and
  - (5) other matters other than those shall be passed by special resolution at a general meeting as stipulated by laws, administrative regulations or this Articles of Association.
- Article 107 The following matters shall be passed by special resolution at a general meeting: (MP71)
- (1) increase or decrease of share capital, and issue of any class of shares, warrants and other similar securities by the Company;
  - (2) issue of the Company's debentures;
  - (3) split, merger, dissolution and winding up of the Company;
  - (4) amendments to the Articles of Association;
  - (5) where the purchase or dispose of major assets or the amount of guarantee within one (1) year exceed thirty per cent (30%) of the Company's total assets;
  - (6) equity incentive scheme of the Company;
  - (7) as stipulated by laws, administrative regulations or this Articles of Association, and other matters deemed by ordinary resolution as having significant potential influence on the Company and thereby need to be approved by special resolution.
- Article 108 When the general meeting is considering matters in relation to connected transactions, the connected shareholders shall not participated in the voting, and the number of voting shares he represented shall not be calculated in the total number of valid votes; the announcement of the general meeting shall fully disclose the vote of the

non-connected shareholders.

- Article 109 Connected shareholders' avoidance of voting and the voting procedure are as follows:
- (1) when connected transactions are being considered at general meetings, the chairman of meeting shall announce the list of connected shareholders and the total number of voting shares of the attending non-connected parties and the percentage of the said shares in the total shares of the Company;
  - (2) connected shareholders shall proactively propose to the board of directors to avoid and waive voting and the chairman of meeting shall require connected shareholder representatives to avoid and waive voting;
  - (3) where the chairman of the board of directors attends a general meeting as connected shareholder representative, the chairman shall authorize the vice chairman or other directors to preside over the meeting when connected transactions are considered and voted on;
  - (4) where any connected shareholder objects to the convener's decision, the said shareholder shall have the right to report to the relevant securities authority and may request the People's Court to rule on whether the said shareholder has any connected relation or has voting right (for holders of foreign shares, refer to article 267 of the Articles of Association); however, before the securities authority or the People's Court or other competent authority makes the final effective ruling, the said shareholder shall not vote and the voting shares thereof shall not be included into the total number of effective votes;
  - (5) the connected shareholders which shall avoid voting may participate in discussing connected transactions involving the said shareholders and explain and describe to the general meeting the reasons for the connected transactions, basic information of the transactions, whether the transactions are fair and lawful, etc.

Article 110 The Company shall, on the premise of the legality and validity of the general meeting, provide convenience to the attending shareholders by various means, including such modern information technology means as internet voting platform.

- Article 111 Candidate's list of director and supervisor shall be submitted to the general meeting for approval by way of proposal. Means and procedures of nomination of director and supervisor are as follows:
- (1) the board of directors and supervisory committee may severally submit to the general meeting a nomination proposal of director or non-staff representative supervisor candidates. One or more shareholders severally or jointly holding more than 3% of the total issued shares of the Company may nominate director or non-staff representative supervisor candidates. Independent director candidates may be nominated by the board of directors, supervisory committee or shareholders severally or jointly holding more than 1% of the total shares issued by the Company.
  - (2) the staff representatives in the supervisory committee shall be elected by staff of the Company democratically at staff representatives' meetings, employees' meetings or other forms.
  - (3) the method and procedure for nominating independent directors shall comply with relevant laws, administrative regulations and the provisions of the relevant authorities of the State.

The voting concerning the election of directors and supervisors may, in accordance with the provisions of the Articles of Association or the resolution in the general meeting, give effect to cumulative voting.

The cumulative voting as stated in the preceding paragraph means that each share shall, on the occasion of electing directors or supervisors in the general meeting, have the same voting power same as the number of the director candidate or supervisor candidate and these voting power possessed by the shareholder may be exercised uniformly. The board of directors shall announce the biography and basic information of the director candidate and supervisor candidate to the shareholders.

- Article 112 Except for cumulative voting, the general meeting shall take vote on all the proposals item by item. Where different proposals remain for the same proceedings, they shall be voted in accordance with the time sequence of the submission of proposal. The general meeting shall not postpone or refuse the voting unless such the general meeting is adjourned or no resolution can be resolved due to force majeure or other special events.
- Article 113 The general meeting shall, on the occasion of discussing the proposals, not revise the proposal, otherwise, the relevant alternation shall be deemed as a new proposal which shall not be voted at the general meeting.
- Article 114 Prior to voting on the proposed resolution, two (2) shareholder representatives shall be chosen to participate in vote counting and vote scrutinizing. Where the shareholder is interested in the discussing proposal to be discussed, such shareholder and his proxy shall not involve in vote counting and vote scrutinizing.
- When voting on resolutions at general meeting, the lawyer, shareholder representative and supervisor representative shall be jointly responsible for vote counting, vote scrutinizing and the announcement of the voting result in the meeting and the voting result which shall be recorded in the meeting minutes.
- Shareholder or his proxy who vote via internet or other means has the right to check his voting result via the corresponding voting system.
- Article 115 The termination of the on-site general meeting shall not be earlier than the internet or other means. The chairman of the meeting shall announce the voting result of each proposal and thereon whether the proposal is passed.
- Prior to the formal announcement of the voting result, the Company, vote counter, vote scrutinizer, substantial shareholders and internet service provider etc. shall keep confidential the voting situation.
- Article 116 The shareholders attending the general meeting shall deliver their opinions on the proposals by one of the followings: approval, disapproval or abstention.
- Blank, wrongly-filled and unreadable vote as well as failure of voting shall be deemed as abstention, and the voting result upon its holding shares shall be filled with “abstention”.
- Article 117 Any resolution passed at general meetings shall comply with the relevant provisions of the laws and administrative regulations of the PRC, and this Articles of Association.
- Article 118 The chairman of the meeting shall be responsible for determining whether a resolution of the general meeting is passed or not and his determination shall be final and the same shall be announced at the meeting and entered into the minutes of the meeting.  
(MP74)
- Article 119 In the event the chairman of the meeting has any doubt as to the result of voting on any resolution, he may have the votes counted. If the chairman of the meeting does not make a count of such votes but any shareholder or proxy present at the meeting disputes the result announced by the chairman of the meeting, such shareholder or proxy shall be entitled to request a count of the votes immediately after the declaration of the result has been made and the chairman of the meeting shall forthwith proceed with such a count.  
(MP75)

- Article 120 In the event a count of the votes has been made at a general meeting, the result thereof shall be entered into the minutes of the meeting.
- Minutes of the meeting together with the register of attendance and the powers of attorney of the attending proxies, shall be kept at the Company's domicile for a period of ten (10) years. (MP76)
- Article 121 A shareholder shall be entitled to inspect copies of minutes of meetings free of charge during office hours of the Company. Upon the request of any shareholder for a copy of the relevant minutes of meeting, the Company shall send out the copy of the minutes so requested within seven (7) days of the receipt of the reasonable payment therefore. (MP77)
- Article 122 In convening a general meeting, the Company shall engage a lawyer to provide legal opinions and publish an announcement on the following issues:
- (1) whether the convening and procedure of the meeting comply with the laws, administrative regulations and the Articles of Association;
  - (2) whether the attendees and convener of the meeting are eligible;
  - (3) whether the voting procedures and results of the meeting are valid;
  - (4) legal opinions on other matters as requested by the Company.
- Resolutions of the general meeting shall be announced promptly where the number of shareholders attending the meeting and proxies, total number of shares carrying voting rights held and the percentage of the total issued shares carrying voting rights of the Company, means of voting, voting result of each proposal and their particulars shall be set forth.
- Article 123 Where the proposal are those failed to be passed or the resolutions in the previous general meeting altered in the current general meeting, they shall be mentioned specifically in the notice of general meeting.
- Article 124 Where the general meeting approved proposals concerning election of directors, supervisors, the newly elected director or supervisor shall hold office from the date of the general meeting approving his election.
- Article 125 Where the general meeting approves the proposals including cash bonus, share bonus or converted and increased capital stock of cumulative fund, the Company shall give effect to the detailed plan within two (2) months after the conclusion of the general meeting.

## **Chapter 10 Special Procedures for Voting of Class Shareholders**

- Article 126 Shareholders holding different classes of shares shall be classified as class shareholders. (MP78)
- Class shareholders shall enjoy the rights and shall undertake the obligations pursuant to the provisions of laws, administrative regulations and this Articles of Association.
- Article 127 Any proposed change or annulment by the Company to the rights of class shareholders shall not come into effect unless approved by special resolutions at a general meeting and a separate general meeting convened by the class shareholders so affected in accordance with articles 129 to 133. (MP79)
- Article 128 The following situations shall be considered as a variation or abrogation of the rights of certain class shareholders: (MP80)
- (1) to increase or reduce the number of shares of such class of shares or to increase or

- reduce the number of shares in a class of shares vested with equal or more rights on voting, distribution or other privileges;
- (2) to exchange all or part of the shares of such class, or to exchange or grant the rights to exchange of all or part of the shares of another class into the shares of such class;
  - (3) to cancel or reduce the rights of that class of shares to receive dividends declared or accumulated;
  - (4) to reduce or cancel the preferential rights to which that class of shares is entitled to in receiving dividends or in the distribution of assets upon the liquidation of the Company;
  - (5) to increase, cancel or reduce the conversion rights, options rights, voting rights, rights of transfer, pre-emptive rights and rights to acquire the securities of the Company of such class of shares;
  - (6) to cancel or reduce the rights of that class of shares in receiving the monies payable by the Company in a particular currency;
  - (7) to establish a new class which enjoys equal or more rights on voting, distribution or other privileges than those enjoyed by that class of shares;
  - (8) to restrict or increase the restriction on the transfer or ownership of that class of shares;
  - (9) to issue subscription rights or conversion rights in respect of that class or another class of shares;
  - (10) to increase the rights and privileges of another class of shares;
  - (11) a reorganisation scheme of the Company which would lead to a disproportionate assumption of obligations by different class shareholders; and
  - (12) to amend or abrogate the provisions in this Chapter.

Article 129

Where issues specified in items (2) to (8), (11) to (12) of the preceding article are involved, the affected class shareholders, whether or not they are entitled to vote at general meetings originally, shall have the right to vote at class meetings. However, shareholders who have interests shall not be entitled to vote at such class meetings.  
(MP81)

Interested shareholders as referred to in the preceding paragraph shall mean:

- (1) in the event of a repurchase of shares by the Company by way of a general offer to all shareholders of the Company or by way of public transactions on a stock exchange pursuant to article 29 of the Articles of Association, a “shareholder who has interest” is a controlling shareholder as defined in article 61 of the Articles of Association
- (2) in the event of a repurchase of shares by the Company by an off-exchange agreement pursuant to article 29 of the Articles of Association, a “shareholder who has interest” is a shareholder related to the said agreement;
- (3) In the Company’s reorganisation plan, “interested shareholders” shall refer to shareholders undertaking responsibilities at lower proportions than other shareholders in such class or shareholders having different benefits from other shareholders in such class.

Article 130

Resolutions of a class meeting shall be approved by votes representing more than two-thirds (2/3) of the voting rights of shareholders of that class present at the meeting who, in accordance with the preceding article, are entitled to vote at the meeting.  
(MP82)(LR App.3, para 6(2))

Article 131

If the Company convenes a meeting of class shareholders, it shall issue a written notice forty-five (45) days (excluding the date of issue of notice and date of meeting) prior to the meeting to all shareholders of such class who are on the register of shareholders, specifying the business to be transacted and the date and place of the meeting. The shareholders who intend to attend the meeting shall serve on the Company written replies of their intention to attend twenty (20) days (excluding the date of issue of notice and date of meeting) prior to the meeting.  
(MP83)

If the number of shares vested with voting rights at such meeting held by those



shareholders who intend to attend such meeting shall reach more than one-half (1/2) of the total number of shares vested with the voting rights at such meeting, the Company may convene such meeting of class shareholders; if this cannot be attained, the Company shall further notify the shareholders by way of public notice within five (5) days thereof specifying the business to be transacted and the date and place of the meeting. After giving notice by such public notice, the Company may convene the meeting of class shareholders.

Article 132 Notice of the meeting of class shareholders need only be served on the shareholders who are entitled to vote at such meeting. (MP84)

The procedures of the meeting of class shareholders shall follow as much as possible the procedures of a general meeting and the provisions in this Articles of Association relevant to the procedures of a general meeting shall apply to the meeting of class shareholders.

Article 133 Apart from the holders of other classes of shares, the holders of Domestic Shares and H Shares are deemed to be different classes of shareholders. (MP85)(Zheng Jian Hai Han Art. 3) (LR App13, PartD para 1(f))

The special procedures for voting by class shareholders shall not apply in the following circumstances:

- (1) where the Company issues, upon approval by a special resolution at a general meeting, Domestic Shares and H Shares either separately or concurrently at twelve (12) month intervals, and the number of Domestic Shares and H Shares proposed to be issued does not exceed twenty per cent (20%) of the issued Domestic Shares and H Shares respectively;
- (2) where the Company's plan to issue Domestic Shares and H Shares at the time of incorporation is implemented within fifteen (15) months from the date of approval by China Securities Regulatory Committee and the relevant authority body at that time.

## Chapter 11 Board of Directors

Article 134 Where a director is a natural person, he shall not act as a director in one of the following circumstances:

- (1) without civil capacity or with limited civil capacity;
- (2) having been sentenced to prison for the following crimes, and completion of the sentence being less than five (5) years ago: corruption, bribery, embezzlement, misappropriation of property or sabotage of social economic order; or having been deprived of political rights as a result of a criminal conviction, and completion of such sanction being less than five (5) years ago;
- (3) having served as a director, the factory chief, or the chief executive officer of a company or enterprises which underwent bankruptcy liquidation as a result of mismanagement, and being personally responsible for such bankruptcy, and completion of the bankruptcy liquidation being less than three (3) years ago;
- (4) having served as the legal representative of a company or enterprise whose business licence was revoked or ordered closed due to its violation of law, and being personally responsible for such revocation or order, and such revocation or order occurring less than three (3) years ago;
- (5) in default of personal debt of a significant amount;
- (6) having been given a punishment by CSRC as prohibition from access to securities market which has not expired;
- (7) not being natural person;
- (8) other proceedings as prescribed in laws, administrative regulations and departmental rules.

The election and appointment of directors in contravention to the provisions thereof, the election, appointment or employment shall be null and void. Where situation contemplated in this article exists during the term of service of the director, he shall be dismissed by the Company.

Article 135

The directors shall be elected by the general meeting for a term of three (3) years, and upon expiry of their terms, shall be eligible for re-election.

(MP87) (Zheng Jian Hai Han Art. 4)

The minimum length of the period during which notice to the Company of the intention to propose a person for election as director and during which notice to the Company by such person of his willingness to be elected shall be given at least seven (7) days.

(LR App.3, para(4))

The period for lodgment of the above-mentioned notices will commence no earlier than the day after the dispatch of the notice of the meeting appointed for such election and end no later than seven (7) days prior to the date of such meeting.

(LR App.3, para(5))

The chairman and vice chairman shall be elected and removed by more than half (1/2) of all the directors. The term of the chairman and vice chairman shall be three (3) years, and upon expiry of their terms, shall be eligible for re-election.

(MP87)

Subject to the compliance with the applicable laws and regulations, the Company in general meeting shall have power by ordinary resolution to remove any director (including managing director or other executive director, but without prejudice to any claim for damages under any contract) before the expiration of his period of office.

(LR App.3, para4(3))

Prior to the expiry of the terms of the directors, the general meeting shall re-elect the directors in a timely manner.

If re-election is not timely conducted upon the expiry of a director, prior to the assumption of his office by the elected director, the original director shall continue to discharge his duties as a director and exercise the rights of a director in accordance with the laws, administrative regulations and the Articles of Association.

Any person appointed by the board of directors to fill casual vacancy of the board of directors or newly appointed as a director shall have a term to expire at the next annual general meeting, and such person shall be eligible for re-election.

(LR App.3 para 4(2))

General manager, deputy general manager or other senior executives may serve concurrently as executive director, however, the concurrently directors acted by general manager, deputy general manager or other senior manager as well as by staff representatives shall not exceed half (1/2) of the total number of board of directors.

At the re-election of the board of directors, external directors (who are not employees of the Company) shall account for more than half (1/2) of the numbers of the board of directors, while independent directors (who do not have any relationship with the shareholders of the Company and are not employees of the Company) shall account for more than one-third (1/3) or above of the numbers of the board of directors, and, at minimum, one independent director is an accounting professional.

Independent directors of the Company shall have necessary professional knowledge and experiences, and shall be able to represent the benefits of all shareholders.

Independent directors shall have sufficient time and requisite knowledge and capabilities to perform their duties. The Company shall be responsible to provide necessary information to the independent directors to perform their duties.

Independent directors may directly report to, among others, general meetings, the securities regulatory authority of the State Council and other relevant authorities.  
 (“Opinion” Art 6)

A director is not required to hold any shares of the Company.

- Article 136 The directors shall abide by laws, administrative regulations and the Articles of Association and assume the following faithful obligations:
- (1) not abusing power to accept bribery or other illegal income, and not to misappropriate the Company’s assets;
  - (2) not embezzling the Company’s fund;
  - (3) not opening an account in his own name and depositing the assets and funds of the Company;
  - (4) not acting against the provisions of the Articles of Association to borrow Company’s fund to others or provide guarantee to others by using the Company’s assets without the approval of the general meeting or the board of directors;
  - (5) not acting against the provisions of the Articles of Association or without the approval of the general meeting to enter into a contract or a transaction with the Company;
  - (6) without the approval of the general meeting, not abusing its power to seek business opportunity for himself that shall have been attributed to the Company, or to operate independently or jointly with others the same kind of business as that of the Company;
  - (7) not peculating the commission in relation to the Company’s transactions;
  - (8) not disclosing the confidential information of the Company without permission;
  - (9) not abusing its connected relations to impair the interests of the Company;
  - (10) other faithful duties prescribed in laws, administrative regulations, departmental rules and the Articles of Association.

Where the income of the director arises from his acts against the aforesaid provisions, it shall be possessed by the Company; where the director causes damage to the Company, he shall be liable for compensation.

- Article 137 The director shall abide by the laws, administrative regulations and the Articles of Association, and assume the following assiduous obligations:
- (1) in line with national laws, administrative regulations as well as the various requirements of the national economic policies, exercise meticulously, gravely and assiduously the rights authorized by the Company so as to ensure the Company’s business act within the scope prescribed in the business licence;
  - (2) give fair treatment to all the shareholders;
  - (3) understand the Company’s business operation and management in a timely manner;
  - (4) sign confirmation opinion in written form for the Company’s regular reports to ensure the sincerity, preciseness and integrity of the information disclosed by the Company;
  - (5) provide genuinely the relevant information and materials to the supervisory committee, and not impede the supervisory committee or supervisors to exercise their functions and powers;
  - (6) other assiduous obligations prescribed in laws, administrative regulations, departmental rules and the Articles of Association.

Article 138 Where the director fails to attend meetings for two (2) consecutive times and fails to consign other director hereto, he shall be deemed incapable to perform his duty and the board of directors shall propose to the general meeting to replace the director.

Article 139 The director may, prior to expiration of his term, submit his resignation report in written form to the board of directors. The board of directors shall disclose the relevant information within two (2) days.

Where the total number of the board of directors is less than the minimum quorum, the original director shall, prior to the assumption of the elected director for replacement, perform his directorship in accordance with the laws, administrative regulations, departmental rules and the Articles of Association.

Except the circumstances prescribed in the preceding paragraphs, the resignation of the director shall come into effect as of its acknowledgement of his resignation report by the board of directors.

Article 140 Where the resignation of the director comes into force or his term of office expires, the director shall properly complete all transfer procedures with the board of directors. His faithful obligations borne to the Company and shareholders shall not be discharged upon his term of office expires. His confidential obligations in relation to the Company's information borne to the Company shall still be effective until such confidential information become public information. Time limit of other faithful obligations shall be determined in accordance with principle of fairness and depend on the period in between the occurrence of the event and the leave of post as well as the reason and condition of the termination of relations with the Company.

Article 141 Without the lawful authorization of the Articles of Association or the board of directors, any director shall not represent the Company or the board of directors to act in the name of individual. Where the director acts in his own name, the director shall declare his standpoint and identity in advance when the director is deemed by the third party reasonably as acting on behalf of the Company or the board of directors.

Article 142 Where the director, on the occasion of performing his duty hereof, violates laws, administrative regulations, departmental rules or provisions of the Articles of Association and has caused damages to the Company, the director shall be liable for compensation.

Article 143 The independent directors shall act in accordance with laws, administrative regulations and departmental rules.

Article 144 The Company shall establish the board of directors.

The board of directors shall have eleven (11) directors. The board of directors shall have one (1) chairman and two (2) deputy chairman. External director shall constitute half (1/2) or more of the total number of the board of directors, and independent director shall constitute one-third (1/3) or more of the total number of the board of directors. (MP86)

Where necessary, the board of directors may establish special committee of strategy and auditing etc.. Each special committee is responsible to the board of directors and shall report the review result within their scope of responsibilities to the board of directors and submit proposal to the board of directors for consideration and approval.

Article 145 The board of directors shall be accountable to the general meeting, and shall exercise the following powers: (MP88)

- (1) to convene general meeting, and to report their works to the general meeting;
- (2) to implement resolutions of the general meeting;
- (3) to decide the Company's operation plans and investment plans;
- (4) to formulate the Company's annual financial budgets and final accounts;
- (5) to formulate the Company's plans for profit distribution and making up of losses;
- (6) to formulate any plan for increase or reduction in the Company's registered capital and the issue of the Company's debentures;
- (7) to formulate the Company's material external investment plans, material acquisition or disposal plans, and merger, demerger and dissolution plans;
- (8) deciding, within the authorization scope of the general meeting, proceedings such as external investment, purchase or sale of assets, pledge of asset, external guarantee, entrusting finance and connected transaction;
- (9) to decide the Company's internal management structure;

- (10) to appoint or remove the Company's general manager, and pursuant to the nomination of the general manager, to appoint or remove the Company's deputy general manager, person in charge of finance or board secretary, and to decide their remuneration;
- (11) to formulate the basic management system of the Company;
- (12) to formulate amendments to the Articles of Association of the Company;
- (13) to manage the information disclosure of the Company;
- (14) to propose to the general meeting to employ or replace the accounting firm for the Company's audit;
- (15) to hear the work report from the Company's general manager and inspect the work of the general manager;
- (16) other authorities authorized by laws, administrative regulations, departmental rules, the Articles of Association or the general meeting.

Matters outside the scope of authorization of general meetings shall be proposed to a general meeting for discussion and approval.

Except for resolutions in respect of clauses (6), (7) and (12) above which require the agreement by voting of over two-thirds (2/3) of the directors, the others shall be subject to the agreement by voting of over half (1/2) of the directors.

Unless under the exceptional circumstances specified in Note 1 of Appendix 3 to Listing Rules or by Hong Kong Stock Exchange, a director shall not vote on any resolutions of the board of directors approving any contract or arrangement or any other proposal in which he or his associates (as defined in the Listing Rules) has a material interest; nor shall he be counted in the quorum present at the meeting.

If any director has connection with the enterprise involved in the resolution made at a board meeting, the said director shall not vote on the said resolution for himself or on behalf of other directors. The board meeting may be held when more than half (1/2) of the non-connected directors attend the meeting. The resolution of the board meeting shall be passed by more than half (1/2) of the non-connected directors. If the number of non-connected directors attending the meeting is less than three (3), the matter shall be submitted to the general meeting for discussion and approval.

If any substantial shareholder (as defined in the Listing Rules) or director has any conflict of interests deemed by the board of directors as material in any issue to be considered by the board of directors, the said issue shall not be passed by written resolutions or submitted to a subordinate committee (except the committee established specially for the said issue as per a resolution passed at the board meeting) for handling, and the board of directors shall hold a meeting concerning the said issue. Independent directors and their associates (as defined in the Listing Rules) without any material interest in the transaction shall attend the relevant board meeting.

(LR App3 Para 4(1), App 14A 1.8)

Article 146 The board of directors of the Company shall explain to the general meeting the non-standardized audit opinion on the Company's financial report issued by the certified public accountant.

Article 147 The board of directors shall establish the rules of procedures of the board of directors to ensure its implementation of resolutions passed at general meetings, improve its efficiency and guarantee its scientific decision making.

The rules of procedures of the board of directors prescribe the procedures of the convention and voting of board meeting, which shall be deemed as part of or as appendix to the Articles of Association and shall be formulated by the board of directors and approved by the general meeting.

Article 148 The board of directors shall not dispose or agree to dispose of any fixed assets of the Company without the prior approval of a general meeting if the aggregate of the expected consideration for the proposed disposition and the consideration for any

disposal of fixed assets of the Company during a period of four (4) months immediately preceding the proposed disposal, exceeds thirty-three per cent (33%) of the fixed asset value as shown in the latest balance sheet considered by the general meeting. (MP89)

For the purposes of this article, the disposal of fixed assets shall include an act involving the transfer of certain interests in assets, but shall not include the provision of security against such fixed assets.

The validity of any transactions of the Company to dispose of fixed assets shall not be prejudiced by any violation of the paragraph 1 of this article.

In making decision on market development, merger and acquisition, new field of investment and so on for projects with investment amounts or asset amounts under merger and acquisition accounting for ten per cent (10%) and more to the total asset value of the Company, the board of directors shall employ society advisory body to provide professional advice which serves as important basis for its decision.

Article 149 The board of directors shall set forth the scope of authorities for external investment, purchase and sale of assets, pledge of assets, external guarantee, entrusting finance and connected transaction, and establish strict review and decision-making procedures; employ relevant experts and professionals to conduct assessment and seek for approval of general meeting for major investment.

Article 150 When the board of directors carries out its duties, it shall comply with the laws of the State, administrative regulations, Articles of Association and resolutions of general meetings.

Article 151 The chairman of the board of directors shall exercise the following powers: (MP90)  
(1) to preside over general meetings, and to convene and chair the meetings of the board of directors;  
(2) to review the implementation of the resolutions of the board of directors;  
(3) to sign the share certificates issued by the Company;  
(4) to sign important documents of the board of directors and other documents which should be signed by the legal representative of the Company;  
(5) to exercise powers of the legal representative of the Company;  
(6) in any emergent force majeure event such as imperial natural disasters, exercise his special right for the business of the Company in compliance with laws and in the interests of the Company, and to report to the board of directors and the general meeting of the Company afterwards;  
(7) other powers delegated by the board of directors.

Where the above matters are otherwise provided for in other laws, regulations or departmental rules, regulatory documents or the Articles of Association, such provisions shall prevail.

Article 152 The deputy chairman shall assist the chairman of the board of directors. Where the chairman of the board of directors is unable or fails to fulfill his duty, the deputy chairman shall perform the duty; where the deputy chairman is unable or fails to fulfill his duty, a director shall be elected by more than half (1/2) of the total number of directors to fulfill the duty.

Article 153 The board of directors shall convene at least four (4) regular meetings per year which shall be convened by the chairman of the board of directors. All directors and supervisors shall be notified fourteen (14) days (exclusive of the date of meeting) in advance of the meeting.

The board of directors shall convene extraordinary meeting under the following circumstances:

(1) proposed by shareholders representing more than ten per cent (10%) of the voting

- right;
- (2) jointly proposed by more than one-third (1/3) of the total members of the board of directors;
  - (3) proposed by the supervisory committee;
  - (4) necessary as defined by the chairman of the board of directors;
  - (5) proposed by more than half (1/2) of the independent directors;
  - (6) proposed by the general manager.

The chairman of the board of directors shall convene and preside the board meeting within ten (10) days of acknowledgement of the proposal.

- Article 154 Notice of board meetings and extraordinary board meetings shall be served in the following ways: (MP92)
- (1) if the board of directors has not in advance specified or changed the originally specified time and venue of regular board meeting, the chairman of the board of directors shall, at least fourteen (14) days (exclusive of the day of meeting) before the meeting, notify all the directors and supervisors the time and venue of the regular board meeting by telex, telegraph, fax, express mail, registered mail or personal delivery.
  - (2) notices shall be in Chinese and, if necessary, may be attached with a copy in English, with meeting agenda attached. Any director may waive the rights for requesting to receive the notice of board meetings.
  - (3) if a director has attended the meeting, and has not raised objection of not having received the notice of meeting before or upon attending the meeting, then he shall be deemed to have received the notice of the meeting.

- Article 155 In respect of any issue to be decided by more than two-thirds (2/3) of the directors of the board of directors, a notice shall be sent to all the directors within the time specified in the Articles of Association together with sufficient information, in strict accordance with the specified procedure.

Where more than one-fourth (1/4) of directors or more than three (3) independent directors deem the documents as inadequate or the justification as unclear, they may jointly propose to adjourn the board meeting or suspend discussing some of the topics at the board meeting, and the board of directors shall adopt such a proposal.

- Article 156 Any regular or extraordinary meetings of the board of directors may be held through telephone conference or using similar communication equipment so long as all directors participating in the meeting can clearly hear and communicate with each others, all such directors shall be deemed to be present in person at the meeting.

- Article 157 The notice of board meeting shall include the following:
- (1) date and venue;
  - (2) duration;
  - (3) reasons and topics;
  - (4) date of issue of the notice.

- Article 158 The board meeting may not be convened unless more than half (1/2) of the directors attended the meeting. The board resolution shall be passed by more than half (1/2) of the total number of directors, except for the board resolution to be passed by more than two-thirds (2/3) of the total number of directors as prescribed by laws, regulations, rules, regulatory documents and the Articles of Association.

The voting of the board meeting shall observe the principle of one (1) person for one (1) vote.

- Article 159 The voting means of the board of directors shall be in written form.

Extraordinary board meeting may use telecommunication means to pass resolution which shall be signed by the attended directors provided that the directors' opinions

have been fully expressed in the meeting.

Article 160 Save otherwise specified in the Articles of Association or in the listing rules of the stock exchange with which the Company's shares are listed, the board of directors may adopt written resolution in lieu of board meeting, but the draft of the said resolution must be sent to every director by personal delivery, post, telegraph or fax. If the board of directors has sent the resolution to all directors and the number of directors signing on the resolution satisfies the quorum, and the resolution has been sent to the board secretary by the aforesaid means, the said resolution shall be deemed as the board resolution, no convention of board meeting will be necessary.

Article 161 A written resolution signed separately by all directors is as effective as a board meeting duly convened. Such written resolution may have more than one copy of each signed by one (1) or more than one (1) director. A resolution signed by a director or with his name on it issued by telegraph, telex, mail, fax or by personal delivery shall be considered as a signed document signed by him for the purpose of this article.

Article 162 Meetings of the board of directors shall be attended by the directors in person. If any director is unable to attend for whatever reason, he may appoint in writing other directors to attend the meeting of the board of directors on his behalf. Name of the proxy, entrusted proceedings, scope of authorization and term of validity shall be set forth in the proxy form signed or sealed by the consigner. (MP94)

The director attending such a meeting on another's behalf shall exercise the rights of a director within the scope of the authorisation. If a director is not present at a meeting of the board of directors, nor to appoint an alternate to attend on his behalf, he shall be deemed to have abstained his rights to vote at that meeting.

Where the director attends the board meeting via means of phone, video conference, fax, email or mail, it shall be deemed that the director attends the meeting in person.

Article 163 The board of directors shall cause the decisions of the matters discussed at the meeting to be recorded on the minutes thereof. The directors and recorder present at the meeting shall sign the minutes. (MP95)

At the board meeting, opinions expressed by independent directors shall be stated in minutes of the board meeting.

Minutes of the board meeting shall be kept as records of the Company for a period of ten (10) years.

Any director shall have right to inspect the documents and information of board meetings. Where independent directors have any enquiry, the Company shall make a comprehensive reply as soon as possible. Minutes of board meeting shall upon reasonable notice by any director be available for his inspection during office hours.

The directors are liable for the resolutions passed at the meeting of the board of directors. If a resolution of the board of directors contravenes the laws, administrative regulations or this Articles of Association causing the Company to sustain substantial losses, the directors involved in passing such resolutions shall be liable to indemnify the Company provided that if a director can prove that he made an objection during the voting and the same has been entered into the minutes of the meeting, such director may be discharged from liability. A director who waives his right of voting, or who fails to attend the meeting and fails to appoint a proxy to act on his behalf shall not be exempt from liability; a director who explicitly expresses his objection in the course of discussion but fails to cast an objection vote in the voting shall not be exempt from liability. (MP95)

Article 164 Minutes of the board meeting shall include the following information:  
(1) date, venue and name of convener of the meeting;



- (2) name of the participating directors and the representatives authorized by directors (proxies);
- (3) agenda of the meeting;
- (4) main points made by directors at the meeting;
- (5) voting method and voting result (the voting result shall set forth clearly the number of votes for approval, opposition or abstention) for each resolution.

## **Chapter 12 Secretary to the Board of Directors of the Company**

Article 165            The Company shall have a board secretary. The board secretary shall be a senior managerial officer of the Company. (MP96)

Article 166            The Company's board secretary shall be a natural person having professional knowledge and experience, and appointed by the board of directors. The provisions in the Articles of Association relating to person excluding for being a director shall be applicable to the board secretary. His major duties are: (MP97)

- (1) to guarantee that the Company has maintained complete constitutional documents and records;
- (2) to ensure that the Company shall prepare and submit reports and documents requested by competent authorities in accordance with the laws;
- (3) to guarantee that the Company's register of shareholders has been properly maintained, and that persons who are entitled to receive the relevant records and documents of the Company receive the relevant records and documents in a timely manner;
- (4) responsible for matters relating to information disclosure of the Company, and to ensure that information disclosure of the Company is timely, accurate, lawful, true and complete;
- (5) responsible for preparing for general meetings and board meetings of the Company, earnestly organize recording and sorting out the matters discussed on the meetings, sign on resolutions, and fulfill the duty of accurate recording;
- (6) to fulfill other duties as stipulated by laws, administrative regulations, the Articles of Association and the listing rules of the stock exchange with which the Company's shares are listed.

Article 167            Directors or other senior managerial officers of the Company may at the same time act as the board secretary of the Company. An accountant of the accounting firm and solicitor of the solicitors' firm engaged by the Company shall not at the same time act as the board secretary. (MP98)

In the event that a director acts as the board secretary and a certain act has to be performed separately by a director and the board secretary, such person who is at the same time the director and the board secretary shall not perform such act in both capacities.

## **Chapter 13 General Manager of the Company**

Article 168            The Company shall have one (1) general manager appointed or dismissed by the board of directors. (MP99)

Deputy general manager and person in charge of finance are nominated by the general manager and appointed and dismissed by the board of directors.

Board secretary is nominated by the chairman of the board of directors and appointed and dismissed by the board of directors.

The general manager, deputy general manager, board secretary, person in charge of finance and other persons who perform the same or similar functions constitute the senior managerial officers of the Company.

Article 169 The circumstance concerning the disqualification of acting as a director prescribed in article 134 is also applicable to senior managerial officers.

The faithful obligations prescribed in article 136 and the assiduous obligations set forth in items (4) to (6) of article 137 shall also be applicable to senior managerial officers. (MP102)

Article 170 Persons who are employed by the Company's controlling shareholder or person in actual control of the Company other than the directors cannot serve as the Company's senior managerial officers.

Article 171 The term of office of the general manager is three (3) years, the general manager may be reappointed after his employment.

Article 172 The general manager of the Company shall be accountable to the board of directors and shall perform the following functions: (MP100)

- (1) to be in charge of the production and business operation of the Company and to organise the implementation of the resolutions of the board of directors;
- (2) to organise the implementation of the annual business plan and investment program of the Company;
- (3) to draw up proposals for the establishment of internal management bodies of the Company;
- (4) to draw up the basic management systems of the Company;
- (5) to formulate basic rules and regulations of the Company;
- (6) to propose for the appointment or dismissal of deputy general manager and the person in charge of finance of the Company;
- (7) to appoint or dismiss principal management staff other than those to be appointed or dismissed by the board of directors;
- (8) to draw up the wages, benefits, rewards and punishments, decide upon employment and removal, promotion and demotion, increase and reduction of salary, appointment, employment, removal and dismissal of staff and workers of the Company;
- (9) to propose to convene an extraordinary board meeting; and
- (10) other functions designated by the Articles of Association and the board of directors.

Article 173 The general manager may attend the meetings of the board of directors, but the general manager, not being a director, shall not have the right to vote in the meetings of the board of directors. (MP101)

Article 174 In performing his functions and powers, the general manager shall not alter the resolutions of the general meeting or those of the board of directors or exceed the scope of his authority.

Article 175 General manager shall formulate terms of reference for general manager and implement after the approval of the board of directors.

Article 176 Terms of reference for general manager shall include the following:  

- (1) convention condition, procedures and the participating personnel of the general manager meeting;
- (2) responsibilities and division of labour of the general manager, deputy general manager and other senior managerial officers;
- (3) extent of authorities and implementation rules of the utilization of the fund and asset of the Company and execution of material contract as well as the reporting

system to the board of directors and supervisory committee;  
(4) other proceedings deemed necessary by the board of directors.

Article 177 The general manager may raise resignation prior to the expiration of term. The specific procedures and measures of the resignation of general manager shall be regulated forth by the service contract between the general manager and the Company.

Article 178 Deputy general manager of the Company shall be nominated by the general manager, and the general manager may request the board of directors to appoint or dismiss deputy general managers. Deputy general manager shall assist the general manager; where the general manager cannot exercise his duties and functions, the general manager or the board of directors shall appoint one (1) deputy general manager or the general manager assistant to exercise the said powers and functions on his behalf.

Article 179 Where the general manager, deputy general manager and other senior managerial officers violate laws, administrative regulations, departmental rules and the relevant provisions in the Articles of Association on the occasion of performing his duty and caused losses to the Company, it shall be liable for compensation.

## **Chapter 14 Supervisory Committee**

Article 180 The provisions about the prohibition from the assumption of directors set forth in article 134 shall be applicable to the supervisors.

Directors, general manager, deputy general manager and person in charge of finance shall not act as supervisor concurrently. (MP106)

Article 181 The supervisor shall abide by the laws, administrative regulations and the Articles of Association, assuming faithful obligations and assiduous obligations to the Company, and shall not abuse his power to accept bribery or other illegal income, not to encroach the assets of the Company. (MP111)

Article 182 The term of office of the supervisor is three (3) years. The supervisor may be re-elected after expiration of his term. (MP104)

Article 183 When the term of a supervisor expires and a re-election cannot be organized in time, or a supervisor resigns within his term of his appointment, and causes the number of members of the supervisory committee to fall below the quorum, the supervisor must perform the duties of a supervisor according to the laws, regulations and this Articles of Association until a new supervisor is elected and acceded.

Article 184 The supervisor shall ensure the truthfulness, preciseness and completeness of the disclosed information of the Company.

Article 185 The supervisor may attend the board meeting as non-voting delegates and raise inquiry or suggestion to the proceedings of the board resolutions.

Article 186 The supervisors must not damage the Company's interests through their connection relationships. Should any losses be incurred due to the above reason, they should bear the responsibility to compensate the Company.

Article 187 Should any losses be incurred due to actions performed by any supervisor while performing duties, and such actions be against the laws, administrative regulations, departmental rules or the Articles of Association, the supervisor in concern should bear the responsibility for compensating the Company.

Article 188 The Company shall have a supervisory committee. It exercises its functions by monitoring the board of directors and its members, general managers and other management officers, and preventing their abuse of power, violation of the rights and interests of shareholders, the Company and the Company's employees. (MP103)

Article 189 The supervisory committee consists of five (5) supervisors, one of them shall be the chairman of the supervisory committee.

The appointment and removal of the chairman of supervisory committee shall be passed by voting over two-thirds (2/3) of the members of the supervisory committee. The chairman of the supervisory committee shall be eligible for re-election.

(LR App13, PartD para 1(d)(i))

The chairman of the supervisory committee shall convene and preside over a meeting of the supervisory committee. If the chairman of the supervisory committee is unable or fails to perform his duty, the meeting shall be convened and presided over by one (1) supervisor elected by over half (1/2) of the supervisors.

Article 190 The supervisory committee shall comprise staff representative supervisors, independent supervisors and shareholder representative supervisors. Staff representative supervisors in the supervisory committee shall not be less than one-third (1/3) of the number of supervisors, and there must be at least two (2) independent supervisors.

An independent supervisor of the Company refers to a supervisor who does not hold other office in the Company other than as a supervisor, and has no relationship with the Company and its substantial shareholders which may hinder him from making independent and objective judgment. Independent supervisors and shareholder representative supervisors shall be elected and removed by general meetings, while staff representative supervisors shall be democratically elected and removed by the staff of the Company. (MP105)

Article 191 The supervisory committee shall convene a meeting once every six (6) months and the same shall be convened by the chairman of the supervisory committee. (MP107)

Supervisor may propose to convene extraordinary meetings of the Supervisory committee.

The resolutions shall be passed by voting over two-thirds (2/3) of the members of the supervisory committee.

Article 192 Supervisory committee is responsible to the general meeting and exercises the following authorities in accordance with law: (MP108)

- (1) to examine and submit written comments on regular reports of the Company prepared by the board of director;
- (2) to inspect the Company's finance;
- (3) to supervise directors, general managers, deputy general managers and other senior managerial officers in exercising of their duties, and propose to impeach directors, general managers, deputy general managers and other senior managerial officers who perform actions that are in violation of the laws, the administrative regulations and the Articles of Association;
- (4) to demand a correction when actions conducted by any director, general managers, deputy general managers or any other senior managerial officers damage the interests of the Company;
- (5) to propose an extraordinary general meeting to be convened. To call and hold general meetings when the board of directors fails to call and hold the general meeting according to the Company Law;
- (6) to move a motion at the general meeting;
- (7) to file a lawsuit against the directors, general manager, deputy general manager

and other senior managerial officers according to the provisions of the Company Law;

- (8) to conduct an investigation when any unusual operational situation happened, they may appoint professional authorities such as legal counsel and accountants to provide assistance, if necessary. The relevant costs should be borne by the Company.
- (9) to negotiate with or take up lawsuits against the directors on behalf of the Company;
- (10) to perform any other duties authorized by the laws, administrative regulations, departmental rules, the Articles of Associations and the general meeting.

Article 193 Supervisory committee shall formulate rules of procedures of supervisory committee, stipulate the format of the discussion and voting procedures of supervisory committee to ensure the efficient and scientific decision-making of the supervisory committee.

The rules of procedures prescribe the convention and voting procedures of the supervisory committee and shall be included in the Articles of Association or as its appendix, and shall be formulated by supervisory committee and be approved by the general meeting.

Article 194 Minutes shall be taken in supervisory committee meetings, and supervisors attending the meeting and the minute taker shall sign on the minutes of the meetings and be accountable to the supervisory committee. However, if a supervisor is proved to have made an objection during the voting and his objection has been recorded in the minutes, such supervisor can be released from responsibilities. A supervisor is entitled to request for certain explanatory records to his speech in the meeting.

Minutes of the supervisory committee meeting shall be kept in the file of the Company for a period of ten (10) years.

Article 195 The notice of supervisory committee meeting shall include the following:

- (1) date, venue and duration of the meeting;
- (2) issues to be discussed in the meeting and the agenda;
- (3) the date on which the notice is issued.

Article 196 The supervisory committee has the right to give suggestions on the appointment of the accounting firms by the Company. When necessary, has the right to appoint another accounting firm on behalf of the Company to conduct independent examination on the financial issues of the Company, could directly report the situations to Securities Committee of the State Council and other regulatory departments.

Article 197 The reasonable expenses of the supervisory committee incurred in engaging professionals such as lawyers, registered accountants and certified public auditors in the course of carrying out the duties of the supervisory committee shall be borne by the Company. (MP110)

## **Chapter 15                    Qualifications and Obligations of Directors, Supervisors, General Managers, Deputy General Managers and Other Senior Managerial Officers of the Company**

Article 198 The occurrence of any one of the following events shall disqualify a person from being a director, supervisor, general manager, deputy general manager or other senior managerial officers of the Company: (MP112)

- (1) lacking capacity in taking civil action or such capacity being restricted;
- (2) being convicted of committing corruption, bribery, misappropriation or embezzlement of properties or violating social and economic order, and not more

- than five (5) years have elapsed since the expiration of the enforcement of the punishment; or being deprived of political rights due to conviction and not more than five (5) years have elapsed since the expiration of the enforcement period;
- (3) being a director or factory manager, manager of a company or enterprise being liquidated as a result of improper operation and management of which he shall be personally liable for such liquidation and not more than three (3) years have elapsed since the date of completion of the liquidation of such company or enterprise;
  - (4) being the legal representative of a company or enterprise of which the business licence has been cancelled as a result of the contravention of the laws and in which he shall be personally liable and not more than three (3) years have elapsed since the date of cancellation of the business licence of such company or enterprise;
  - (5) having relatively large amount of personal indebtedness which has become due but have not yet been settled;
  - (6) being under investigation by the judicial authorities in respect of contravention of criminal laws, and such investigation has not yet been finalised;
  - (7) being prohibited by laws or administrative regulations to act as leader of an enterprise;
  - (8) not being a natural person; and
  - (9) being convicted by the relevant supervisory authorities of contravention of the provisions of relevant securities regulations which involved fraud or dishonest acts and not more than five (5) years have lapsed since the date of such conviction.

Any election or appointment of directors, supervisors, or employment of other senior managerial officers in violation of the preceding paragraph of this article shall be invalid. If any situation mentioned in the preceding paragraph of this article exists during the term of directors, supervisors, general managers, deputy general manager or other senior managerial officers, the Company should dismiss their office.

Article 199 The validity of an act undertaken by a director, general manager, deputy general manager and other senior managerial officer of the Company acting on behalf of the Company towards a bona fide third party shall not be affected by the irregularities in the appointment, election or qualification of such person. (MP113)

Article 200 In addition to the obligations required by laws, administrative regulations or the listing rules of any stock exchange on which the shares of the Company are listed, a director, supervisor, general manager, deputy general manager and other senior managerial officer of the Company shall also be responsible to each shareholder in respect of the following obligations in performing the duties and exercising the powers given to him by the Company: (MP114)

- (1) not to cause the Company to exceed the scope of business stipulated in its business licence;
- (2) to act faithfully in the best interests of the Company;
- (3) not to deprive by any means the Company of its assets, including (but not limited to) opportunities beneficial to the Company; and
- (4) not to deprive the personal interests of the shareholders including (but not limited to) the rights to distribution and voting rights but excluding corporate reorganisation schemes submitted to and passed at a general meeting in accordance with this Articles of Association.

Article 201 In exercising his rights or performing his obligations, the director, supervisor, general manager, deputy general manager and other senior managerial officer of the Company shall have the responsibility to exercise the prudence, diligence and skill of a reasonable and prudent person acting under similar circumstances. (MP115)

Article 202 In performing his duty, a director, supervisor, general manager, deputy general manager and other senior managerial officer of the Company shall observe the fiduciary principle and shall not put himself in a position where his personal interests

and the obligations undertaken may conflict. Such principle shall include (but not limited to) the undertaking of the following obligations: (MP116)

- (1) to act honestly in the best interests of the Company;
- (2) to exercise powers within, and not to exceed the scope of, his authority;
- (3) to exercise the discretionary power vested in him personally and not to be manipulated by others; no discretionary powers shall be transferred to other persons without the permission of laws or administrative regulations or the informed consent of the general meeting;
- (4) to treat the shareholders of the same class equally and to be fair to the shareholders of different classes;
- (5) unless otherwise provided in this Articles of Association or with the approval granted with the informed consent of the general meeting, no contract, transaction or arrangement shall be entered into with the Company;
- (6) no property of the Company shall be used in any manner for private benefit without the informed consent of the general meeting;
- (7) not to take advantage of his authority to receive bribery or other illegal incomes, and not to embezzle the assets of the Company in any way including but not limited to opportunities beneficial to the Company;
- (8) not to receive any commission from transactions related to the Company without the informed consent of the general meeting;
- (9) to abide by the Articles of Association, to perform his duties faithfully, to protect the interests of the Company, and not to pursue personal benefits by exploiting his position and authority in the Company;
- (10) not to compete in any way with the Company without the informed consent of the general meeting;
- (11) not to embezzle the funds of the Company or to lend the funds of the Company to others; not to deposit the assets of the Company in accounts opened under his own name or the name of other persons; not to use the assets of the Company as security for the liabilities of the shareholders of the Company or other personal liabilities; and
- (12) unless otherwise permitted by informed consent of the general meeting, no confidential information of the Company acquired during his term of office shall be disclosed; unless the objective is serving the interests of the Company, no such information shall be used; however, such information may be disclosed to a court of law or other governmental supervisory authorities under the following situations:
  1. disclosure is provided under the law;
  2. disclosure is required in the public interest;
  3. disclosure is required in the interests of such director, supervisor, general manager and other senior managerial officers.

#### Article 203

A director, supervisor, general manager, deputy general manager and other senior managerial officers of the Company shall not instruct the following persons or bodies ("related persons") to do such acts which such director, supervisor, general manager, deputy general manager and other senior managerial officers are prohibited from doing: (MP117)

- (1) the spouse or minor children of a director, supervisor, general manager, deputy general manager and other senior managerial officers of the Company;
- (2) the trustee of a director, supervisor, general manager, deputy general manager and other senior managerial officers of the Company or of the persons mentioned in paragraph (1) of this article;
- (3) the partner of a director, supervisor, general manager, deputy general manager and other senior managerial officers of the Company or of the persons mentioned in paragraphs (1) and (2) of this article;
- (4) companies actually and solely controlled by a director, supervisor, general manager, deputy general manager and other senior managerial officers of the Company, or companies actually and jointly controlled with the persons referred to in paragraphs (1), (2) and (3) of this article or other directors, supervisors, general managers, deputy general managers and other senior managerial officers of the Company; and
- (5) the director, general manager, deputy general manager and other senior

managerial officers of a company being controlled as mentioned in paragraph (4) of this article.

Article 204 The fiduciary duties of a director, supervisor, general manager, deputy general manager and other senior managerial officers of the Company do not necessarily cease upon the expiry of his term of office. The obligations to keep the commercial secrets of the Company confidential shall survive the expiry of his term of office. The continuance of the other obligations shall be determined on a fair basis depending on the length of the time between its occurrence and his departure from office and the circumstances and conditions under which the relation with the Company was terminated. (MP118)

Article 205 Responsibilities borne by directors, supervisors, general manager, deputy general manager and other senior managerial officers who have violated certain regulations can be released through approval by the general meeting with shareholders fully informed of the situation; but this does not include the situation stipulated in article 60 of this Articles of Association. (MP119)

Article 206 Directors, supervisors, general managers, deputy general managers and other senior managerial officers of the Company who, directly or indirectly, have a material interest in any contracts, transactions or arrangements entered into or proposed to be entered into by the Company (save for the employment contracts entered into by the Company and its directors, supervisors, general managers, deputy general managers and other senior managerial officers) shall disclose to the board of directors the nature and extent of such interest as soon as possible irrespective of whether such matters require the permission of the board of directors under normal circumstances. (MP120)

Where a director or his associate has any interest in a resolution of the board meeting, the said director shall avoid discussing and cannot participate in voting; the said director shall not be counted in the quorum of the meeting.

Unless the interested directors, supervisors, general managers, deputy general managers and other senior managerial officers of the Company has already made disclosures to the board of directors in accordance with the requirements of the aforesaid clause of this Article and that the board of directors has approved the matter in a meeting in which they were not counted as the quorum nor attended the meeting, the Company has the right to revoke such contracts, transactions or arrangements, except that the counterparty involved, acting in good intention, was not aware of the breach of duties by such directors, supervisors, general managers, deputy general managers and other senior managerial officers. (LR App3, para 4(1))

If the related persons of directors, supervisors, general managers, deputy general managers and other senior managerial officers of the Company are interested in any contract, transaction or arrangement, such directors, supervisors, general managers, deputy general managers and other senior managerial officers shall also deemed to have such interests.

Article 207 In the event that a director, supervisor, general manager, deputy general manager or other senior managerial officer of the Company notifies the board of directors in writing and makes a representation that on the basis of contents of the notice, he will be interested in the contract, transaction or arrangement to be entered into by the Company before the Company firstly considers the relevant contract, transaction or arrangement, the relevant director, supervisor, general manager, deputy general manager or other senior managerial officer shall be deemed to have made a disclosure as required in the previous paragraphs. (MP121)

Article 208 The Company shall not in any manner pay tax on behalf of any of its directors, supervisors, general managers, deputy general managers and other senior managerial officers. (MP122)



Article 209 No loans or guarantees for loans shall be provided, directly or indirectly, by the Company to a director, supervisor, general manager, deputy general manager and other senior managerial officers of the Company and those of its parent company, nor shall such loans or guarantee for loans be provided to the related persons of the above-mentioned persons. (MP123)

The provisions as aforesaid shall not apply to the following situations:

- (1) the Company provides loans or guarantee for loans to its subsidiaries;
- (2) the Company provides to a director, supervisor, general manager, deputy general manager and other senior managerial officers of the Company, pursuant to the employment contract approved in the general meeting, loans or guarantees for loans or other payments to enable them to pay the expenses incurred for the purpose of the Company or in the course of performing their duties;
- (3) if the normal scope of business of the Company includes the provision of loans and guarantees for loans, the Company may provide loans or guarantees for loans to the relevant director, supervisor, general manager, deputy general manager and other senior managerial officers and their related persons provided that the terms of such loans or guarantees for loans shall be on normal commercial terms.

Article 210 If the provision of a loan made by the Company is in breach of the provisions of the preceding articles, the recipient of the sum of money shall repay the same forthwith regardless the terms of such loan. (MP124)

Article 211 The Company shall not be forced to execute loan guarantee provided in violation of paragraph 1 of article 209 except in the following circumstances: (MP125)

- (1) in providing loans to the related persons of a director, supervisor, general manager, deputy general manager and other senior managerial officers of the Company or those of its parent company, the person who has provided the loan has no knowledge of the contravention; and
- (2) the security provided by the Company has been sold legally by the person who has provided the loan to a bona fide purchaser.

Article 212 The guarantee referred to in the preceding article shall include the assumption of obligations by the guarantor or the provision of property to secure the performance of obligations by the obligor. (MP126)

Article 213 In the event that a director, supervisor, general manager, deputy general manager and any other senior managerial officers of the Company shall be in breach of his obligations to the Company, the Company shall be entitled to take the following measures apart from the various rights and remedies provided by laws and administrative regulations: (MP127)

- (1) to demand the relevant director, supervisor, general manager, deputy general manager and other senior managerial officers indemnify the losses sustained by the Company as a result of the dereliction of duties on his part;
- (2) to revoke any contract or transaction made between the Company and the relevant director, supervisor, general manager, deputy general manager and other senior managerial officers and a contract or transaction made between the Company and a third party (if such third party knows or should have known that the director, supervisor, general manager, deputy general manager and other senior managerial officers representing the Company are in breach of the obligations to the Company);
- (3) to demand the relevant director, supervisor, general manager, deputy general manager and other senior managerial officers to return the benefit received as a result of the breach of the obligations;
- (4) to recover from the relevant director, supervisor, general manager, deputy general manager and other senior managerial officers the moneys including (but not limited to) commission accepted by them which should have been received by the Company; and
- (5) to demand the relevant director, supervisor, general manager, deputy general

manager and other senior managerial officers to return the interest earned or that may be earned from the moneys which should have been payable to the Company.

- Article 214 The Company shall enter into a contract in writing with directors and supervisors of the Company in respect of remuneration, the terms of which shall have obtained the prior approval at a general meeting. The terms of the remuneration matters as aforesaid shall include: (MP128)
- (1) the remuneration for acting as a director, supervisor or other senior managerial officer of the Company;
  - (2) the remuneration for acting as a director, supervisor or other senior managerial officer of a subsidiary of the Company;
  - (3) the remuneration for provision of other services in the management of the Company and its subsidiaries; and
  - (4) the payment for compensation for loss of office or retirement of such directors or supervisors.

Except pursuant to the contract aforesaid, no legal proceedings shall be instituted by a director or supervisor in respect of benefits receivable by him in respect of the aforesaid matters.

- Article 215 There shall be a provision in the contract in relation to remuneration made between the Company and a director or supervisor of the Company that the director or the supervisor of the Company shall be entitled to the compensation or other payments as a result of loss of office or retirement when the Company is to be taken over, provided that prior approval shall have been obtained at a general meeting. A takeover of the Company referred to above shall mean one of the following situations: (MP129)
- (1) a takeover offer to all shareholders has been made by any person; and
  - (2) a takeover offer has been made by any person to enable the offer or to become the controlling shareholder. The meaning of “controlling shareholder” is the same as that defined in article 56 of this Articles of Association.

In the event that the relevant director or supervisor does not comply with the provisions of this Article, any moneys received by him shall belong to the persons who accept the said offer to sell their shares; the expenses incurred as a result of proportional distribution of such moneys shall be borne by such director or supervisor and such expenses shall not be deducted from such moneys.

## **Chapter 16 Financial and Accounting System and Profit Distribution**

- Article 216 The Company shall set up the financial accounting system and internal control system of the Company in accordance with laws, administrative regulations and the provisions of the PRC accounting standards formulated by the finance regulatory authority under the State Council. (MP130)
- Article 217 The Company shall prepare financial reports at the end of every accounting year (commencing from 1 January to 31 December of the calendar year), to be audited and verified in accordance with the laws. (MP131)
- Article 218 The Company should submit, within four (4) months after the end of a financial year, to the regulatory departments under State Council Securities Committee of the State Council and the domestic and offshore Stock Exchange the Company’s annual financial report. The Company should submit, within two (2) months from the end of the first six (6) months of a financial year, to the local representatives of the regulatory departments under Securities Committee of State Council and the domestic and offshore Stock Exchange the Company’s interim financial report. The Company

should submit, within one (1) month from the end of the first three (3) months and the first nine (9) months, to the local representatives of the regulatory departments under Securities Committee of State Council and the domestic and offshore Stock Exchange the Company's quarterly financial report.

The aforesaid financial report shall be drafted in accordance with the relevant laws, administrative regulations and departmental rules.

Article 219 The financial report prepared by the Company in accordance with the relevant laws, administrative regulations and regulatory documents issued by local government or supervisory authorities shall be submitted by the board of directors of the Company to the shareholders at each annual general meeting. (MP132)

Article 220 The Company's financial statements shall be made available at the Company twenty (20) days before the date of every annual general meeting for shareholders' inspection. Each shareholder shall be entitled to obtain a copy of the financial statements referred to in this chapter. (MP133)

The financial reports in the preceding paragraph shall include directors' report, balance sheet (including documents to be attached in accordance with PRC laws, other laws, and administrative regulations), income statement or (under condition of not violating PRC laws) financial highlights approved by Hong Kong Stock Exchange.

The Company shall, at least twenty-one (21) days before annual general meeting, send the aforesaid reports or financial highlights to every holder of H Shares by prepaid mail at the address as shown in the shareholders' register.

Article 221 The Company's annual financial statements shall, besides being prepared under the PRC accounting standards and regulations, be also prepared under international accounting standards or the accounting standards of the overseas listing place. If there are material discrepancies between the financial statements prepared under the two accounting standards, an explanation shall be made in the financial statements. When making distributions on the after tax profits for the relevant accounting year, the lesser of the after tax profits in the above two financial statements shall be adopted. (MP134)

Article 222 Interim and quarterly results or financial information published or disclosed by the Company shall be prepared in accordance with PRC accounting standards and legal regulations as well as international accounting standards or the accounting standards of the place of overseas listing. (MP135)

Article 223 The Company shall issue financial reports four times every financial year. The quarterly or interim financial reports should be issued within forty-five (45) days after the end of the third (3rd) month, sixth (6th) month and ninth (9th) month of each financial year, and the annual financial reports should be issued within three (3) months after the end of the financial year. (MP136)

Article 224 No books of account other than those provided under the law may be established by the Company. The assets of the Company shall not be deposited in the account under the names of any individuals. (MP137)

Article 225 The Company's common reserve fund includes common reserve fund and capital common reserve fund. The common reserve fund is divided into statutory common reserve fund and discretionary common reserve fund.

Article 226 When distributing the after tax profits of the year, the Company shall make appropriation of ten per cent (10%) of the profits to the statutory common reserve fund. When the statutory common reserve fund has aggregated to more than fifty per

cent (50%) of the Company's registered capital, it may no longer make appropriation.

If the Company's statutory common reserve fund is insufficient to make up the Company's losses in the previous year, the profits for the current year shall be used to make up the losses before appropriation to the statutory common reserve fund as required in the preceding paragraph.

After the appropriation to the statutory common reserve fund from the after tax profits, the Company may make appropriations to the discretionary common reserve fund, subject to the resolution of the general meeting.

After offsetting losses of previous financial years and extraction of statutory reserve fund, the remaining after tax profits could be distributed to shareholders according to their shareholdings, except for the distributions not per shareholding as stipulated in this Articles of Association.

The shares held by the Company shall not be included in the distribution of profits.

If the general meeting or the board of directors violates the requirements in the preceding paragraph, and distributes profits to shareholders prior to making up the Company's losses and appropriation to statutory common reserve fund, the profits so distributed must be returned to the Company.

Article 227           The capital common reserve fund shall include the following sums of money:  
(MP138)  
(1) premium received in excess of the par value of the shares issued;  
(2) other revenue required to be transferred to capital common reserve fund by the finance regulatory authority under the State Council.

Article 228           The common reserve fund of the Company shall be used only for the following purposes:  
(1) recovery of losses of the Company;  
(2) expansion of the production and operation of the Company; or  
(3) conversion into additional share capital.

Pursuant to resolutions passed at general meetings, the Company may convert the common reserve fund into share capital, and issue new shares to shareholders pro rata to their existing shareholdings or increase the par value of the shares. However, when the statutory common reserve fund is converted into share capital, the amount remaining in such common reserve fund shall not be less than twenty-five per cent (25%) of the registered capital of the Company.

Article 229           The board of directors of the Company shall take various factors into consideration, including its industry features, development stages, business model and profitability as well as whether it has any substantial capital expenditure arrangement, and differentiate the circumstances to propose a specific policy for distributing cash dividend according to the procedures of the Articles of Association.

The Company shall adopt a continuous and steady profit distribution policy with an emphasis on providing reasonable investment return to its investors and maintaining the sustainable development of the Company which is in compliance with the relevant laws and regulations.

In case there are distributable profits, the Company shall pay dividends once a year in principle as its profit distribution policy, and pay cash dividends as a priority. Taking into account the Company's full year operating results not yet finalized, the amount of distributable profits in accordance with the law is not certain, the Company in principle shall not pay an interim dividend. If the board of directors of the Company does not make an annual profit distribution proposal, it shall disclose the reasons thereof in its annual reports which shall contain the independent opinions of the

independent directors.

Article 230

The profit distribution policy and the profit distribution plan of the Company are formulated and considered by the board of directors. Independent directors may also collect the opinions of minority shareholders for proposing profit distribution plan, which is then directly submitted to the board of directors for consideration. Once the board of directors resolved on the profit distribution policy and the profit distribution plan, they are submitted to the shareholders' general meeting for consideration. Independent directors shall review and provide opinions in writing on the profit distribution policy and the profit distribution plan being submitted to the shareholders' general meeting for consideration.

Prior to the consideration by the shareholders' general meeting on the specific cash dividend distribution plan, initiatives should be taken to communicate with shareholders through various channels, especially to communicate and exchange with minority shareholders. The views and aspirations of minority shareholders shall be fully heard, with their questions concerned promptly addressed.

After the profit distribution plan has been approved by the general meetings of the Company, the board of directors of the Company shall complete the distribution of dividends (or shares) within 2 months of the general meetings.

Article 231

Dividends may be distributed in the following ways: (MP139)

- (1) cash;
- (2) shares.

In case there are distributable profits, the board of directors may make a cash dividend distribution and/or stock dividend distribution proposal according to the Company's business and financial position.

The Company adopts cash dividend as its priority dividend distribution policy, i.e. the Company pays cash dividends out of the distributable profits achieved within the accounting year after appropriation to the statutory common reserve fund and retained common reserve fund in accordance with the laws. If the operating income of the Company is growing rapidly and the board of directors believes the share prices of the Company's shares do not match the scale of its share capital, the board of directors may propose to distribute dividends in shares of the Company based on the fulfillment of the above mentioned cash dividend distribution.

The Company shall disclose in details of the formulation and performance of cash dividend policy in the annual report. In case that the Company has distributable profit in last accounting year and the board of directors of the Company does not make proposal for the annual profit distribution in cash after the end of last accounting year, the reasons concerned and the use of such undistributed profit maintained by the Company etc. shall be disclosed in the annual reports. The independent directors shall express independent opinions on such matter.

The Company's profit distribution shall not exceed the range of accumulated distributable profits. The distribution of cash dividends in one accounting year shall not less than 20% of the distributable profits achieved within the year.

In the event that a shareholder misappropriated the funds of the Company, the Company shall deduct the cash dividend distributable to such shareholder for recovery of the misappropriated funds.

In the event that the Company is required to adjust the profit distribution policy based on its production and operation, investment planning, and long-term development needs, the adjusted profit distribution policy shall not violate the relevant regulations of the CSRC and the stock exchanges. A resolution regarding the adjustment of the profit distribution policy shall be proposed to the general meeting for approval upon the consideration by the board of directors of the Company. The independent directors

and supervisory committee shall in advance express their independent views in this respect. The general meeting shall provide the shareholders with on-line vote platform. The adjustment to cash dividend policy shall be passed by more than two-thirds (2/3) of the voting rights held by the shareholders who are present at the general meeting.

The dividend of the Company carries no interest, unless the Company does not pay the relevant dividend to the shareholders on the dividend payable date. Shareholders are entitled to interest for any amount paid up in advance of calls but shall have no right to its pre-paid monies to receive the interest declared before the payable date of calls. (LR App3, para3(1))

Where power is taken to forfeit unclaimed dividends, that power shall not be exercised until six (6) years or more after the date of declaration of the dividend. (LR App3, para3(2))

Where power is taken to cease sending dividend warrants by post, if such warrants have been left not cashed, it will not be exercised until such warrants have been so left not cashed on two (2) consecutive occasions. However, such power may be exercised after the first occasion on which such a warrant is returned undelivered. (LR App3, para13(1))

Unless in compliance with all the following provisions, the Company cannot exercise its power to sell the shares of a member who is untraceable:

- (1) during a period of twelve (12) years at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed; and
- (2) on expiry of the twelve (12) years the Company gives notice of its intention to sell the shares by way of an advertisement published in the newspapers and notifies Hong Kong Stock Exchange of such intention. (LR App.3, para13(2))

Article 232 Cash dividends and other payments made to the holders of Domestic Shares shall be calculated and declared in RMB. Cash dividends and other payments made to holders of foreign shares (not listed in overseas) and holders of H Shares shall be calculated and declared in RMB and paid in foreign currency.

When the Company needs to pay foreign currencies to holders of foreign shares (not yet listed overseas) and holders of H Shares, the Company shall handle it in accordance with the relevant provisions on foreign exchange management of the State.

Unless otherwise provided by laws and administrative regulations, payment of cash dividends and other monies in foreign currencies is calculated on the average price of the conversion of RMB into foreign currencies in five (5) days as announced by the People's Bank of China five (5) working days preceding such monies are declared.

Article 233 When distributing dividends to shareholders, the Company shall by reference to the distributed amount withhold and pay on behalf of the individual shareholders the tax payable on dividend income in accordance with PRC tax law.

Article 234 The Company shall appoint receiving agents on behalf of the holders of overseas listed foreign shares. Receiving agents shall receive on behalf of the relevant shareholders dividends distributed and other monies payable by the Company in respect of overseas listed foreign shares. (MP140)

The receiving agent appointed by the Company shall meet the relevant requirements of the laws or the stock exchange of the place of listing. The receiving agent which the Company appoints for the holders of H Shares shall be a trust company registered in accordance with the Trustee Ordinance of Hong Kong. (LR App.13, Part D para1(c))

## **Chapter 17 Internal Audit**

- Article 235 The Company has a mechanism for internal auditing, with professional auditors to internally examine and audit the Company's financial balance and economic activities.
- Article 236 The internal auditing mechanism and duties of the internal auditors should be implemented upon obtaining approval from the board of directors. The auditor in charge holds responsibility and reports to the board of directors.

## **Chapter 18 Appointment of Accountants Firm**

- Article 237 The Company shall appoint an independent accounting firm which shall meet the relevant requirements of the State to audit the annual financial report and to review other financial reports of the Company. (MP141)
- The first accounting firm of the Company may be appointed by the inaugural meeting of the Company before the first annual general meeting and the accounting firm so appointed shall hold office until the conclusion of the first annual general meeting.
- If the inaugural meeting fails to exercise its powers under the preceding paragraph, those powers shall be exercised by the board of directors.
- Article 238 The accounting firm appointed by the Company shall hold office from the conclusion of that annual general meeting to the conclusion of the next annual general meeting. (MP142)
- Article 239 The accounting firm appointed by the Company shall enjoy the following rights: (MP143)
- (1) to inspect the books and accounts, records or evidence of the Company at any time and has the right to require directors, general managers and deputy general managers or other senior managerial officers of the Company to provide the relevant information and explanation;
  - (2) to require the Company to adopt all reasonable measures to obtain from its subsidiaries information and explanation which are requisite for such accounting firm to carry out its duties; and
  - (3) to attend annual general meetings and receive notice of meeting and other information related to such meeting which any shareholder is entitled to receive and speak at any meeting of shareholders about the matters related to its being the accounting firm of the Company.
- Article 240 If the office of the accounting firm becomes vacant, the board of directors shall have the right to appoint an accounting firm to fill such vacancy prior to the convening of the general meeting. However, in case there is another accounting firm in office for the Company during the continuance of the vacancy, such accounting firm may perform the duties. (MP144)
- Article 241 Any accounting firm can be dismissed prior to the expiry of its term of office by ordinary resolution passed in a general meeting regardless of the provisions of the terms of the contract entered into by the accounting firm and the Company. If the relevant accounting firm is entitled to claim compensation against the Company due to the dismissal, such right shall not be affected. (MP145)

Article 242 The remuneration or the manner to determine the remuneration of the accounting firm shall be decided at the general meeting. The remuneration of the accounting firm appointed by the board of directors shall be determined by the board of directors. (MP146)

Article 243 The decisions of the Company to appoint, dismiss or not to re-appoint an accounting firm shall be made at the general meeting and shall be filed with CSRC. (MP147)

Where a resolution is proposed to be passed at a general meeting to appoint a firm other than an incumbent accounting firm to fill any vacant office of accounting firm, or to re-appoint an accounting firm who has been appointed by the board of directors to fill a vacancy, or to dismiss an accounting firm before the expiration of its term of office, the following requirements shall be met: (LR App13, PartD para 1(e)(i))

- (1) the relevant motion shall be sent to the accounting firm proposed to be appointed or the accounting firm which intends to vacate its office or the accounting firm who has vacated from its office in the relevant accounting year, before the notice of meeting of the general meeting is issued to the shareholders. Vacating the office shall include leaving by removal, resignation or retirement.
- (2) if the accounting firm which is vacating its office makes a statement in writing and requests the Company to notify the shareholders of that statement, the Company shall, unless the written statement is received too late, take the following measures:
  1. to state in the notice given in respect of the resolution, the fact that the accounting firm which is vacating the office has made a statement; and
  2. to send a copy of the statement as attachment to the notice to shareholders in the matter provided in the Articles of Association.
- (3) if the statement of the relevant accounting firm has not been sent in accordance with paragraph (2) of this article, such accounting firm may request the representation be read at the meeting of shareholders and may make further complaint.
- (4) an accounting firm which is vacating its office shall be entitled to attend the following meetings:
  1. the general meeting at which its term of office will expire;
  2. the general meeting at which it is proposed to fill the vacancy caused by its removal; and
  3. the general meeting convened due to its resignation;

The accounting firm vacating its office shall be entitled to receive all notices or other relevant information of the said meetings, and speak at the said meetings in respect of the affairs in which it is involved as a former accounting firm of the Company.

Article 244 When the Company dismisses or does not re-appoint an accounting firm, it shall give advance notice to the accounting firm. The accounting firm shall have the right to present its views at the general meeting. Where the accounting firm resigns, it shall state in the general meeting as to whether or not there are irregularities in the Company. (MP148)

An accounting firm may resign by leaving a written notice of resignation at the legal address of the Company. The notice shall be effective on the date when the notice is left at the registered address of the Company or a later date specified in the notice. Such notice shall contain the following statements: (LR App.13, PartD para 1(e)(ii))

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

Within fourteen (14) days of receiving the above-mentioned written notice, the Company shall send a copy of such notice to the relevant administrative authorities. If the notice includes statement referred to item 2 above, the Company shall keep a copy of such statement in the Company for shareholders' inspection. The Company shall



also send a copy of such statement by mail to each shareholder who is eligible to receive the Company's financial report. The address of a recipient shall be his address recorded on the register of members. Subject to the compliance with the laws and regulations of the places of incorporation and listing of the Company and the Listing Rules, the above-mentioned copy of statement may be sent in the manner provided under article 268 in lieu of sending by mail as aforesaid.

(LR App13, PartD para 1(e)(iii))(LR2.07A))

When the notice of resignation of the accounting firm contains a statement that has to be accounted for, the accounting firm may request the board of directors to convene an extraordinary general meeting for the purpose of hearing the explanation of the circumstances connected with its resignation. (LR App13, PartD para 1(e)(iv))

## **Chapter 19 Insurance**

Article 245 The Company purchases various types of insurance from the designated institutions in specific way in accordance with the provisions of the relevant supervisory authorities in the PRC. The board of directors discusses and decides the insurance type, the insured amount and the period of insurance cover according to the practice of other countries of similar trades, as well as practice and laws in the PRC.

## **Chapter 20 Labour Management**

Article 246 The Company formulates its labour and personnel system appropriate to its circumstances according to the relevant provisions of the Labour Law of the People's Republic of China.

## **Chapter 21 Merger and Division of the Company**

Article 247 A proposal for merger or division of the Company shall be proposed by the board of directors of the Company. After the same has been passed according to the procedures provided in this Articles of Association, the relevant application procedures for approval shall be completed according to law. Shareholders who object to the proposal for merger or division of the Company shall be entitled to demand that the Company or the shareholders who consent to the proposal for merger or division of the Company purchase their shares at a fair price. (MP149)

The contents of resolutions approving the merger or division of the Company shall be compiled in a special document for inspection by shareholders. Holders of H Shares shall be served copies of the above-mentioned document by mail. Subject to the compliance with the laws and regulations of the places of incorporation and listing of the Company and the Listing Rules, the above-mentioned copy may be sent in the manner provided under article 268 in lieu of sending by mail as aforesaid.

(LR2.07A)

Article 248 The merger of the Company may take the two forms of merger by absorption and merger by formation of a new corporation. (MP150)

In the event of merger of the Company, the parties involved in the merger shall execute a merger agreement and prepare a balance sheet and a list of assets. The Company shall notify the creditors within ten (10) days from the date of the merger

resolution and shall make announcement in newspapers at least three (3) times within thirty (30) days thereof. The creditor may, within thirty (30) days as of his acknowledgement or within forty five (45) days as of the date of announcement in case of not receiving notice, request the Company to settle his debt or provide relevant guarantee. (LR App3, para7(1))

After completion of the merger, the rights and obligations of loans of the parties involved in the merger shall be assumed by the company surviving the merger or the new company formed after the merger.

Article 249 In the event of a division of the Company, its assets shall be divided accordingly. (MP151)

In the event of a division of the Company, the parties involved shall execute a division agreement and prepare the balance sheet and list of assets. The Company shall notify the creditors within ten (10) days from the date of the division resolution and shall make an announcement in newspapers at least three (3) times within thirty (30) days thereof. (LR App3, para7 (1))

The liabilities of the Company prior to the division shall be undertaken by the companies after such division in accordance with the agreement entered into.

Article 250 In the event of a merger or division of the Company, alterations in the registered matters of the Company shall be registered at the company registration authorities in accordance with law; in the event of a dissolution of the Company, the cancellation of registration shall be made in accordance with law; in the event of the setting up of a new company, the registration of incorporation thereof shall be made in accordance with law. (MP152)

## **Chapter 22 Dissolution and Liquidation of the Company**

Article 251 The Company shall dissolve and proceed with liquidation in accordance with law upon occurrence of any one of the following events: (MP153)

- (1) the expiry of the term of business operation;
- (2) the general meeting resolves to dissolve the Company;
- (3) dissolution of the Company is required for the merger or division of the Company;
- (4) the Company is pronounced insolvent in accordance with law as a result of its inability to pay debts when due; and
- (5) closure of the Company in accordance with law as a result of its contravention of laws or administrative regulations.

Article 252 In the circumstance set out in (1) of the preceding article, the Company may continue to subsist by amending the Articles of Association.

Amendment to the Articles of Association pursuant to the preceding paragraph shall be subject to approval by two-thirds (2/3) of the voting rights held by the shareholders attending the general meeting.

In the event that the Company is dissolved under the provisions of paragraphs (1) and (2) of the preceding article, it shall set up within fifteen (15) days a liquidation committee, the members of which shall be determined by way of ordinary resolution passed in general meeting. (MP154)

In the event that the Company is dissolved under the provisions of paragraph (4) of the

preceding article, the People's Court shall form a liquidation committee comprised of the shareholders, personnel from the relevant authorities and relevant professionals in accordance with law to proceed with the liquidation.

In the event that the Company is dissolved under the provisions of paragraph (5) of the preceding article, the relevant supervisory authorities shall form a liquidation committee comprised of the shareholders, personnel from the relevant authorities and relevant professionals in accordance with law to proceed with the liquidation.

Article 253 In the event that the board of directors decides to liquidate the Company (except for liquidation as a result of the pronouncement of insolvency by the Company), it shall specify in the notice convening the general meeting for such purpose that the board of directors has made a full inquiry of the affairs of the Company and considers that the Company may settle all the Company's debts within twelve (12) months upon commencement of liquidation. (MP155)

Upon the passing of the liquidation resolution at the general meeting, the duties of the board of directors of the Company shall cease forthwith.

The liquidation committee shall comply with the directions of the general meeting and report to the general meeting at least once every year the income and expenditure, the business of the Company and the progress of liquidation and submit a final report to the general meeting upon the completion of liquidation.

Article 254 The liquidation committee shall notify the creditor within ten (10) days of its establishment and make announcement within sixty (60) days of its establishment in newspaper.

Within thirty (30) days of receiving the notification of liquidation, or, in the case of not receiving the notification, within forty-five (45) days the announcement is made, the creditors should declare credits to the liquidation committee. Where the creditor fails to declare within the time limit, it shall be deemed as abstain of right. The creditors' declaration of credits should state information related to the credits and provide related proof.

The liquidation team shall register the creditor's right. (MP156)

Article 255 The liquidation committee shall during the liquidation process perform the following functions and powers: (MP157)

- (1) to dispose of the properties of the Company, to prepare a balance sheet and list of assets respectively;
- (2) to give notice or make announcement to creditors;
- (3) to deal with and liquidate the uncompleted business of the Company related to the liquidation;
- (4) to effect payment of all taxes due;
- (5) to sort out the Company's right to and liability for debts;
- (6) to deal with the remaining assets after settlement of debts by the Company; and
- (7) to represent the Company to participate in civil proceedings.

Article 256 After disposal of the assets of the Company and the preparation of the balance sheet and a list of assets has been completed, the liquidation committee shall draw up a liquidation programme for submission to the general meeting or the relevant supervisory authorities for their confirmation. (MP158)

After priority payment of liquidation expenses, the assets of the Company shall pay off in the order as follows: (1) all wages due to the staff and workers of the Company and labour insurance expenses; (2) taxes due; and (3) bank borrowings, debentures and other debts of the Company.

The remaining assets of the Company after settlement in accordance with the provisions aforesaid shall be distributed to the shareholders of the Company in accordance with the class and proportion of shares held by them.

During the liquidation process, no new business activities shall be commenced by the Company.

Article 257 In the case of a liquidation of the Company due to dissolution and after the disposal of the assets of the Company and preparation of the balance sheet and list of assets, the assets of the Company are insufficient to settle the debts, it shall forthwith make an application to the People's Court for a declaration of insolvency. (MP159)

After the declaration of insolvency by the People's Court, the liquidation committee shall pass the liquidation matters to the People's Court.

Article 258 Upon the completion of the liquidation of the Company, the liquidation committee shall prepare a liquidation report and statement of income and expenditure and the financial accounts for the liquidation which, upon being certified by an accountant registered in China, shall be submitted to the general meeting or relevant supervisory authorities for confirmation. (MP160)

The liquidation committee shall submit within thirty (30) days after the confirmation by the general meeting or relevant supervisory authorities the documents mentioned above to the company registration authorities and apply for the cancellation of the registration of the Company and announce the termination of the Company.

Article 259 Members of the liquidation committee should be faithful in the discharge of their duties, perform their duties according to the laws and regulations.

Members of the liquidation committee must not take advantage of their authorities to receive bribery or other illegal incomes, and must not seize illegally assets of the Company.

Members of the liquidation committee should bear the responsibility to compensate for losses to the Company or creditors, should such losses arise because of intended or major indiscretion by the members.

Article 260 Where the Company is lawfully announced bankruptcy, it shall enforce bankruptcy liquidation in accordance with the relevant bankruptcy law.

## **Chapter 23 Procedures for Amendments to the Articles of Association**

Article 261 The Company may amend the Articles of Association pursuant to the laws, administrative regulations and the provisions of this Articles of Association. (MP161)

Article 262 Under one of the following circumstances, the Company should amend the Articles of Association:

- (1) if the Amendments to Company Law or other related laws, administrative regulations have caused conflict between the related items in the Articles of Association and the amended laws and administrative regulations;
- (2) changes to the Company causing it to differ from as stated in the Articles of Association;
- (3) the general meeting resolved to amend the Articles of Association.

- Article 263 The procedures for amending these Article of Association shall be as follows:
- (1) after passing resolutions pursuant to this Articles of Association, the board of directors shall propose to the general meeting to amend this Articles of Association and draw up the amendment proposal;
  - (2) notify the shareholders of the amendment proposal and convene the general meeting for a vote;
  - (3) the amendments submitted to the general meeting for a vote shall be passed by special resolutions.

The board of directors is authorized by ordinary resolutions passed at general meetings to: (1) increase registered capital, the board of directors has the right to modify the content of the registered capital in the articles of association according to the specific circumstances, or (2) if changes in the text or the order of provisions of the Articles of Association are required after submission for approval by the foreign trade departments and the securities management department of the State Council, the board of directors has the right to make appropriate changes according to the requirements of the foreign trade departments and the securities management department of the State Council.

- Article 264 The amendments to the Articles of Association which involve the contents of the Mandatory Provisions shall become effective upon the approval by the companies examining and approving authorities authorised by the State Council and the CSRC; if the amendments involve company registration matters, application for alteration of the registration shall be made to the companies registration and management organisation in accordance with law. (MP162)

- Article 265 The board of directors shall amend the Articles of Association in accordance with the resolutions of the general meeting and the requests of the relevant regulatory authorities.

- Article 266 Where the amendment of the Articles of Association is required to be disclosed pursuant to laws and regulations, it shall be announced in accordance with the relevant provisions.

## **Chapter 24 Settlement of Disputes**

- Article 267 The Company shall comply with the following rules of dispute resolution: (MP163)

- (1) In respect of disputes and claims for rights relating to the affairs of the Company that arise from the rights and obligations provided for in this Articles of Association, the Company Law and other relevant laws and administrative regulations, between the holders of overseas listed foreign shares and the Company, between the holders of overseas listed foreign shares and the directors, supervisors, general managers, deputy general managers or other senior managerial officers of the Company, between the holders of overseas listed foreign shares and holders of Domestic Shares, the parties involved shall refer these types of disputes or claims for rights to arbitration for settlement.

The disputes or claims for rights mentioned above which are submitted for arbitration refer to the whole of the claims or the entire dispute; if the identities of persons having the same cause of action or parties whose participation are necessary for the settlement of the disputes or the claims for rights involve the Company, the shareholders of the Company, directors, supervisors, general managers, deputy general managers or other senior managerial officers of the

Company, they shall submit themselves to such arbitration.

Disputes involving the definition of a shareholder or register of shareholders need not be settled by arbitration.

- (2) The party applying for arbitration may choose either the China International Economic or Trade Arbitration Committee to proceed with the arbitration pursuant to its arbitration rules or the Hong Kong International Arbitration Centre to proceed with the arbitration pursuant to its securities arbitration rules. After the disputes or claims for rights have been referred to arbitration by the claimant, the other party shall proceed the same with the arbitration institution chosen by such applicant.

If the applicant chooses the Hong Kong International Arbitration Centre to proceed with the arbitration, either party may request to proceed with the same in Shenzhen in accordance with the provisions of the securities arbitration rules of Hong Kong International Arbitration Centre.

- (3) The laws of the People's Republic of China shall be applicable to the settlement of the disputes and claims for rights mentioned in paragraph (1) of this Article by way of arbitration unless the laws and administrative regulations provide otherwise.
- (4) The ruling given by the arbitration institution shall be final and binding on the parties involved.

## **Chapter 25 Notice**

Article 268 Unless otherwise provided in the Articles of Association, the notices, information or written statements given by the Company to the holders of the overseas-listed foreign shares must be delivered to each of those holders at their registered address in the Register of members by hand or by postage-prepaid mail.

Where notice is given by way of announcement according to any right exercised pursuant to the Articles of Association, such notice shall be given by means of public announcements in newspapers or Hong Kong Stock Exchange's website.

With regard to joint shareholders, the Company is only required to deliver or send any notice, information or other documents to one of such joint shareholders.

Notices of the Company to the holders of Domestic Shares shall be published by way of an announcement in one or several newspapers designated by the securities regulatory authorities of the State and all holders of the Domestic Shares shall be deemed to have received the notice upon the publication of the announcement.

Article 269 The notice sent by post shall have address clearly stated, postage prepaid and placed inside the envelope. Such notice shall be deemed to be received by shareholders five (5) days after its posting.

Article 270 Any notices, documents, information or written statements served on the Company by shareholders or the directors shall be delivered to the legal address of the Company by personal delivery or by registered post.

Notice sent by personal delivery, receiver shall sign (or seal) on reply slip with the date of acknowledgement of receipt as the delivery date.

Article 271 In proving service of notices, documents, information or written statements by the shareholders or directors to the Company, they shall provide evidence that the relevant notice, document, information or written statement has been served within the time of service specified by the usual methods, and the same has been served by delivering to the correct address by way of prepaid post.

## Chapter 26 Appendices

Article 272 Interpretation

- (1) Controlling shareholder is defined in the article 61 of the Articles of Association.
- (2) De facto controller means the person who is able to dominant the acts of the company by means of its investment relations, agreement or other arrangement although he is not a shareholder of the company.
- (3) Associated relations means the relations between the controlling shareholder, de facto controller, directors, supervisors, senior managerial officers and enterprises directly or indirectly controlled by them as well as other relations that may cause the transfer of the company's interest. However, the associated relations between the state shareholding enterprises exist not merely because it is associated with state-controlled share.
- (4) A "holdings subsidiary" refers to a subsidiary in which the company holds more than 50% equity or may decide the majority of the membership of its board of directors or which is effectively controlled by the company under an agreement or through other arrangement.

"Control" means control of the financial and operation decisions of the said subsidiary in accordance with the Articles of Association or agreement.

- (5) Daily operations refer to purchase and sale of products and services within the business scope of the company and controlling subsidiaries thereof and payment of relevant monies, borrowing from banks within the approved budgetary limit and relevant repayment, and other acts essentially within the normal business scope of the company.
- (6) Asset disposal, including but not limited to purchase or sale of assets and businesses, consigning or consigned management of assets and businesses, gifting or accepting assets, leasing in or out assets, investing to establish or acquire legal entities or subscribe shares issued by legal entities, consigned financial management or entrusted loans, allowing or allowed to use assets, disposal of credits and debts, and increase or decrease of capital to holdings and shareholding subsidiaries.
- (7) Disposal of major assets refers to asset disposal to be submitted for consideration at general meetings in accordance with laws, administrative regulations, departmental rules, relevant provisions of the securities regulatory authority at the place of listing of the company, and this Articles of Association.
- (8) External guarantee refers to external guarantee provided by the company and controlling subsidiaries thereof with their credit in accordance with Guarantee Law of the People's Republic of China, or external mortgage of assets in accordance with Guarantee Law of the People's Republic of China, external pledge of chattels or rights in accordance with Guarantee Law of the People's Republic of China, and promise to the creditor or beneficiary that the guarantor will fulfill the repayment obligation if the debtor fails to make repayment in

accordance with the contract, including guarantee provided by the company for others, guarantee provided by the company for its controlling subsidiaries, guarantee provided by the controlling subsidiaries for the company, and guarantee provided by controlling subsidiaries for each other.

(9) The audited financial indices serving as benchmarks in the Articles of Association refer to standards of consolidated statements.

- Article 273 The board of directors may, in accordance with Articles of Association formulate byelaws which shall not contradict with the provisions hereof.
- Article 274 The Articles of Association shall be written in Chinese. Where the versions written in other languages have different interpretations or meanings, the latest verified Chinese version registered and filed with the Zhejiang Province Industrial and Commercial Administration Bureau shall prevail.
- Article 275 "Above", "within", "below" and "expiry" as stated in the Articles of Association contain the number referred to; "exclude" and "not more than" do not contain the number referred to.
- Article 276 In this Articles of Association, "accounting firm" shall have the same meaning as "auditor". (MP165)
- Article 277 Should shares of the Company cease to be listed, shares of the Company shall continue to be traded under the entrusted share transfer system as designated by Shenzhen Stock Exchange. The Company shall not amend this article.
- Article 278 The board of directors has responsibility to give explanation of this Articles of Association.
- Article 279 After being passed as special resolution at the general meeting of the Company and approved by approval authorities such as CSRC and the issue and listing of A Shares is completed, the Articles of Association shall be effective from the date of approval by and filing and registration with the authorities in charge of foreign investment.
- Article 280 Rules of procedures of the general meeting, board meeting and supervisors meeting are included as appendixes to the Articles of Association.