

# **Shandong Xinhua Pharmaceutical Company Limited**

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

## **Articles of Association**

(This articles of association has been prepared in both Chinese and English. In the event of any discrepancy between the two versions, the Chinese version shall prevail.)

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## CHAPTER 1 GENERAL PROVISIONS

**Article 1** The Company is a joint stock limited company established in accordance with the “Company Law of the People's Republic of China” (“Company Law”) and other relevant laws and administrative regulations.

The Company was established by way of private subscription pursuant to the approval document, Ti Gai Sheng (1993) No.66 issued by Shandong Province State Commission for Restructuring the Economic System. In August 1996, it was confirmed by the State Commission for Restructuring the Economic System, Ti Gai Sheng (1996) No.116, as a joint stock limited company whose shares are to be issued and listed in Hong Kong. The Company was re-registered by Zibo City Administration for Industry and Commerce and received business licence on 20 November 1998.

The Company's unified social credit code: 91370300164103727C.

The promoter of the Company: Shandong Xinhua Pharmaceutical Factory

**Article 2** In accordance with the Company Law and the Constitution of the Communist Party of China (the “Party”), the Company hereby sets up Party organizations and related working organs, and maintains an adequate level of staffing to handle Party affairs as well as sufficient funding necessary for the activities of the Party organizations. The Company's Party organization plays a leading role in setting direction, managing the overall situation, ensuring implementation, and discussing and deciding on major issues of the Company in accordance with regulations.

**Article 3** Registered names of the Company

Chinese in full: 山東新華制藥股份有限公司

English in full: Shandong Xinhua Pharmaceutical Company Limited

**Article 4** The legal address of the Company: Chemical Industry Area of Zibo Hi-tech Industry Development Zone, Zibo City, Shandong Province, PRC

Post Code: 255005

**Article 5** The chairman represents the Company in carrying out the affairs of the Company. The legal representative of the Company is the chairman of the Company.

If the chairman resigns, he is deemed to resign as the legal representative at the same time. If the legal representative resigns, the Company shall determine a new legal representative within 30 days from the date of the legal representative's resignation.

**Article 6** The Company is a joint stock limited company of perpetual duration.

**Article 7** These Articles of Association ("Articles") shall become effective upon its adoption by the shareholders' general meeting by way of a special resolution.

From the effective date of these Articles they shall constitute a legally binding

document governing the constitution and activities of the Company, the rights and obligations relationship between the Company and its shareholders and the shareholders inter se.

**Article 8** These Articles are binding upon the Company, its shareholders, directors, general managers and other senior officers. The aforementioned persons may bring claims on matters relating to affairs of the Company in accordance with these Articles.

Shareholders may bring actions against the Company in accordance with these Articles; the Company may bring actions against shareholders in accordance with these Articles; shareholders may bring actions against other shareholders in accordance with these Articles, and shareholders may bring actions against the directors, general managers and other senior officers of the Company in accordance with these Articles.

Persons with other administrative positions at units of the dominant shareholders of the Company other than directors shall not act as a member of senior management of the Company.

The senior management officers shall be only entitled to salaries paid by the Company, and the controlling shareholders shall not pay the salaries on behalf of the Company.

**Article 9** The Company may invest in other enterprises; and accept liability in respect of such companies up to the amount of its investment in such companies. If the law stipulates that a company shall not become a joint and several liability investor for the debts of the invested enterprise, its provisions shall apply. Upon the approval of the Company authorities authorized by the State Council, the Company may, in accordance with its operation and management needs, operate pursuant to the Company Law.

**Article 10** The legal liabilities of civil activities conducted by the Company's legal representative in the name of the Company shall be borne by the Company.

Restrictions on the powers of the legal representative stipulated in these Articles of Association or by the shareholders' meeting shall not be asserted against a bona fide counterparty.

Where the legal representative causes damage to others in the course of performing their duties, the Company shall bear civil liability. After the Company has borne the civil liability, it may claim compensation from the at-fault legal representative in accordance with the provisions of laws or these Articles.

**Article 11** The liability of a shareholder to the Company is limited by the shares held by him. The Company shall be liable for its debts up to the extent of all its assets.

Subject to compliance with the relevant laws and regulations, the Company is entitled to raise capital and borrow money, including without limitation, the

issue of debt securities and the provision of guarantees to any third party.

**Article 12** The Company is an independent enterprise legal person. All activities of the Company shall comply with the laws and regulations of the PRC and shall protect the lawful rights of the shareholders. The Company is under the jurisdiction and protection of the laws, regulations and other relevant government provisions of the PRC.

**Article 13** The Company shall not become a shareholder with unlimited liability of any other economic organisations.

## **CHAPTER 2 OBJECTIVES AND SCOPE OF OPERATIONS**

**Article 14** The objectives of the Company are to take advantage of all factors favourable to the Company, to utilise local and foreign capital to develop the pharmaceutical manufacturing industry, to exploit markets both within and outside the PRC, to adopt advanced scientific management methods, to adapt to market demands and to improve its productivity and efficiency, so as to enable all shareholders of the Company to receive optimal financial benefits.

**Article 15** Authorized Projects: Pharmaceutical production; pharmaceutical wholesale; pharmaceutical retail; contract pharmaceutical production; pharmaceutical import and export; food additive production; health food production; food sales; food production; veterinary drug production; veterinary drug business; Class III medical device production; Class II medical device production; Class III medical device business; Internet information services for pharmaceutical products; online data processing and transaction processing services (business-type e-commerce). Projects requiring approval under the law must be approved by the relevant departments before business operations can be conducted. Specific business items shall be subject to the approval documents or permits issued by the relevant departments.

General projects: Sales of chemical products (excluding licensed chemical products); Production of chemical products (excluding licensed chemical products); Sales of food additives; Sales of health food (pre-packaged); Manufacturing of pharmaceutical dedicated equipment; Sales of pharmaceutical dedicated equipment; Sales of instruments and meters; Repair of instruments and meters; Technical services, technical development, technical consultation, technical exchange, technical transfer, technical promotion; Purchase and sale of local medicinal herbs (excluding Chinese herbal pieces); Production of Class I medical devices; Sales of Class I medical devices; Sales of Class II medical devices; Sales of drug testing instruments; Sales of maternal and infant products; Wholesale of cosmetics; Retail of cosmetics; Sales of daily chemical products; Sales of daily necessities; Retail of edible agricultural products; Sales of adult novelty products (excluding medicines and medical devices); Manufacturing of basic chemical raw materials (excluding licensed chemical products such as hazardous chemicals); Manufacturing of specialized chemical products

(excluding hazardous chemicals); Medical research and experimental development; General cargo storage services (excluding hazardous chemicals and other projects requiring licensing approval ); Property management; Housing lease; Non-residential real estate lease. (Except for projects that must be approved in accordance with the law, business operations shall be carried out independently in accordance with the law with a business license)

**Article 16** Depending upon domestic and international market trends, the PRC and the growth capacity of the Company, the Company may adjust its investment policies, its scope of operations and its method of operations as it sees fit, subject to the prior approval of the shareholders' general meeting and the relevant government authorities.

### **CHAPTER 3 SHARES, REGISTERED CAPITAL AND TRANSFER**

**Article 17** The Company shares shall be in the form of share certificates. The Company shall at all times have ordinary shares. The Company may, in accordance with its needs and upon obtaining approval by the companies authorities authorized by the State Council, create other types of shares.

Issuing of Company shares shall adopt an open, fair, and just principle. Shares of the same type have equal rights. During the issuance of the same type of shares, each share shall have the same conditions of issuance and price. Any such share subscribed by any unit or individual should charge the same price.

**Article 18** Shares issued by the Company shall have a par value. Each share shall have a par value of RMB 1 yuan.

**Article 19** The Company may issue shares to either or both domestic investors and foreign investors in accordance with the law upon obtaining approval or filing from the securities regulatory authorities of the State Council.

**Article 20** The shares issued by the Company to investors which are subscribed for in Renminbi are called "domestic shares"(A shares). The shares issued by the Company to investors which are subscribed for in foreign currencies are called "foreign shares". Domestic shares which are listed within the PRC are called "domestic listed shares". Foreign shares which are listed outside the PRC are called "overseas listed foreign shares" (H shares).

**Article 21** By approval of the companies examination and approval department authorised by the State Council, the total number of ordinary shares of the Company could issue was 457,312,830 shares, including 217,440,000 state-owned shares issued to the promoter of the Company at the time when the Company was established, 16,719,500 legal person shares and 33,153,330 employee shares. As approved by China Securities Regulatory Commission, the Company issued 150,000,000 overseas listed foreign shares in 1996 and 10,000,000 domestically listed domestic shares to the domestic public in 1997. As approved by China Securities Regulatory Commission, the

Company issued 30,000,000 domestically listed domestic shares to the domestic public in 2001. Meanwhile, the state-owned shares of the Company held by Shandong Xinhua Pharmaceutical Group Company Limited disposed of 30,000,000 shares in accordance with Cai Shui Cai Qi Bian Han [2001] No. 78 issued by the Ministry of Finance. In accordance with Lu Guo Zi Chan Quan Han [2006] No.74 issued by Shandong Provincial State-owned Assets Supervision and Administration Commission, Shandong Xinhua Pharmaceutical Group Company Limited offered 26,653,665 shares to all holders of circulating A shares as consideration.

By the Approval Document [2017] No. 459 issued by the China Securities Regulatory Commission, for the year 2017 the Company was allowed to proceed with the non-public issuance of 21,040,591 domestic shares to be listed in the PRC. Upon completion of the issuance, the structure of share capital of the Company is: the total number of shares is 478,353,421 shares, of which all are ordinary shares and listed domestic shares in the PRC are 328,353,421 shares, representing approximately 68.64% of the total number of shares of the Company; overseas listed foreign shares are 150,000,000 shares, representing approximately 31.36% of the total number of shares of the Company.

On implementation of the Profit Distribution Plan 2017, the structure of share capital of the Company is: the total number of shares is 621,859,447 shares, of which all are ordinary shares comprising listed domestic shares in the PRC of 426,859,447 shares, representing approximately 68.64% of the total number of shares of the Company, and overseas listed foreign shares of 195,000,000 shares, representing approximately 31.36% of the total number of shares of the Company.

Upon approval by way of special resolution in the shareholders' general meeting of the Company, after the first exercise period of the 2018 A-Share Share Option Scheme of the Company, the structure of share capital of the Company is: the total number of issued shares is 627,367,447, of which all are ordinary shares comprising listed domestic shares in the PRC of 432,367,447 shares, representing approximately 68.92% of the total number of issued shares of the Company, and overseas listed foreign shares of 195,000,000 shares, representing approximately 31.08% of the total number of issued shares of the Company.

Upon approval by way of special resolution in the shareholders' general meeting of the Company, after the second exercise period of the 2018 A-Share Share Option Scheme of the Company, the structure of share capital of the Company is: the total number of issued shares is 632,535,247, of which all are ordinary shares comprising listed domestic shares in the PRC of 437,535,247 shares, representing approximately 69.17% of the total number of issued shares of the Company, and overseas listed foreign shares of 195,000,000 shares, representing approximately 30.83% of the total number

of issued shares of the Company.

Upon approval by way of special resolution in the shareholders' general meeting of the Company, after the non-public issuance of A Shares, the structure of share capital of the Company is: the total number of shares is 669,627,235, of which all are ordinary shares comprising listed domestic shares in the PRC of 474,627,235 shares, representing approximately 70.88% of the total number of issued shares of the Company, and overseas listed foreign shares of 195,000,000 shares, representing approximately 29.12% of the total number of issued shares of the Company.

Upon approval by way of special resolution in the shareholders' general meeting of the Company, after the third exercise period of the 2018 A- Share Share Option Scheme of the Company, the structure of share capital of the Company is: the total number of issued shares is 674,682,835, of which all are ordinary shares comprising listed domestic shares in the PRC of 479,682,835 shares, representing approximately 71.10% of the total number of issued shares of the Company, and overseas listed foreign shares of 195,000,000 shares, representing approximately 28.90% of the total number of issued shares of the Company.

Upon approval by way of special resolution in the shareholders' general meeting of the Company, after the first exercise period of the first grant of 2021 A-Share Share Option Scheme of the Company, the structure of share capital of the Company is: the total number of issued shares is 682,407,635, of which all are ordinary shares comprising listed domestic shares in the PRC of 487,407,635 shares, representing approximately 71.42% of the total number of issued shares of the Company, and overseas listed foreign shares of 195,000,000 shares, representing approximately 28.58% of the total number of issued shares of the Company.

**Article 22** A shares issued by the Company are centrally stored at China Securities Depository and Clearing Company Limited. H shares issued by the Company can be primarily held by a trustee company under the Hong Kong Securities Depository and Clearing Corporation Limited in accordance with the laws of the listing country and the practice of securities registration and custody, or held by shareholders in their personal names.

**Article 23** The registered capital of the Company is RMB 682,407,635 yuan.

**Article 24** The Company may in accordance with laws and regulations, increase its capital according to its business and development requirements, as decided by the shareholders' meeting. The following methods may be used for increasing the capital of the Company: -

- (1) by issuing new shares to general targets;
- (2) by issuing new shares to specific targets;

- (3) by a bonus issue of shares to existing shareholders;
- (4) conversion of housing provident fund into share capital; or
- (5) by any other methods permitted under PRC laws and administrative regulations and approved by China Securities Regulatory Commission.

The issuance of new shares to increase the capital by the Company shall be subject to approval as specified in the Articles of Association and follow the procedures specified by the relevant laws and administrative regulations of the PRC.

**Article 25** The shares of the Company shall be transferred with law.

Under any circumstances required by these Articles, shareholders of any overseas listed foreign shares listed in Hong Kong may transfer the whole or part of their shareholding by written transfer documents in a generally or ordinarily accepted form or in any other form acceptable to the board of directors; and such documents may be signed by hand.

**Article 26** Shares issued before public issuance by the Company shall not be transferred within 1 year of the Company securing listed status.

The Company directors and senior management personnel should declare to the Company the shares held by them and any changes to those shares. During their confirmed tenure, they cannot transfer more than 25% of the total shares of the same class held by them in the Company per year. The Shares held cannot be transferred within one year of the Company securing listed status. After the above personnel leave their posts, they cannot transfer the shares held in the Company within six months.

If a Company director, senior management personnel, or shareholder holding 5% or more of shares in the Company, sells shares or other securities with equity nature in the Company within six months of buying those shares, or buying those shares within six months of selling, all the resulting profits should belong to the Company. Those profits shall be collected by the Board of Directors. But if a securities company undertakes unsold shares, thereby holding more than 5% of the shares, as well as other circumstances stipulated by the China Securities Regulatory Commission, are excluded.

The stocks or other securities with equity nature held by directors, senior officers, and natural person shareholders referred to in the preceding paragraph include stocks or other securities with equity nature held by their spouses, parents, children, or using other people's accounts.

If the Board does not comply with the foregoing paragraph, the shareholders can request the Board to do so within 30 days. If the Board does not comply within the said period, the shareholders are entitled to start litigation in the People's Court in their own names for the interest of the Company.

## **CHAPTER 4    REDUCTION OF CAPITAL AND REPURCHASE OF SHARES**

**Article 27**    The Company may reduce its registered capital in accordance with laws and regulations and the provisions of Articles.

**Article 28**    When the Company reduces its registered capital, a balance sheet and a list of the Company's assets will be prepared.

The Company shall notify its creditors of its decision within 10 days from the date of the shareholders' meeting's resolution to reduce its registered capital, and shall make public announcements in newspapers or National Enterprise Credit Information Publicity System within the 30 days following the date of the said resolution. All creditors shall have the right, within 30 days of receiving the said notice, or, if such notice was not received, within 45 days of the date of public announcement, to require the Company to repay its debts or to provide security of equivalent value for the repayment of such debts.

When the Company reduces its registered capital, the capital contributions or shares shall be reduced proportionally according to the proportion of shares held by the shareholders, unless otherwise specified by laws or these Articles.

**Article 29**    If the Company still incurs a loss after making up for losses in accordance with the provisions of the second paragraph of Article 180 of these Articles, it may reduce its registered capital to make up for the losses. When reducing registered capital to make up for losses, the Company shall not distribute to shareholders, nor shall it exempt shareholders from the obligation to pay capital contributions or share payments.

Where the registered capital is reduced in accordance with the provisions of the preceding paragraph, the provisions of the second paragraph of Article 28 of these Articles shall not apply, but an announcement shall be made in a newspaper or on the National Enterprise Credit Information Publicity System within 30 days from the date on which the shareholders' meeting makes a resolution to reduce the registered capital.

After the Company reduces its registered capital in accordance with the provisions of the preceding two paragraphs, it shall not distribute profits until the accumulated amount of statutory public reserve fund and discretionary public reserve fund reaches 50% of the Company's registered capital.

**Article 30**    If the registered capital is reduced in violation of the provisions of the "Company Law" and other relevant regulations, the shareholders shall return the funds they have received, and if the shareholders' capital contributions are reduced or exempted, they shall be restored to their original state; if losses are caused to the Company, the shareholders and the responsible directors and senior managers shall bear the liability for compensation.

**Article 31**    When the Company issues new shares to increase its registered capital, shareholders shall not have pre-emptive rights, unless otherwise specified in

these Articles or the shareholders' meeting resolves that shareholders have preemptive rights.

**Article 32** The Company may, upon obtaining approval in accordance with procedures specified in these Articles, and in compliance with all applicable laws, regulations and other relevant provisions, repurchase its own shares according to legal procedures in the following circumstances: -

- (1) to cancel its shares for the purpose of reducing its share capital;
- (2) to merge with another company which holds the shares of the Company; or
- (3) to apply the shares for the purpose of employee stock ownership plan or equity-based incentives;
- (4) where any shareholder who objects to the resolutions adopted at the shareholders' general meeting concerning merger and division of the Company requests the Company to purchase the shares he/she holds;
- (5) to convert the shares into corporate bonds issued by listed company/companies that could be converted into shares;
- (6) where it is necessary in order to maintain the Company's value and the shareholders' rights;
- (7) under any other circumstances permitted by law and administrative regulations.

Save as the above, the Company shall not repurchase its own shares.

**Article 33** The Company may repurchase its own shares by one of the following methods:

- (1) by way of a general offer to all shareholders in proportion to their respective shareholdings;
- (2) by a repurchase of the Company's shares through open trading on a stock exchange; or
- (3) by entering into an independent agreement for the repurchase of the Company's shares outside a stock exchange.
- (4) by other methods permitted by laws, administrative regulations and the regulatory authority.

Whereas any repurchase of the Company's shares is conducted in accordance with circumstances specified in Articles 28(3), 28(5) and 28(6), the repurchase should be conducted through open and centralized trading.

**Article 34** When the Company repurchases its own shares under the circumstances specified in Article 28(1) and Article 28(2) of the Articles, it must first obtain the prior approval of the shareholders at a shareholders' general meeting; whereas for repurchases under the circumstances specified in Article 28(3), Article 28(5) and Article 28(6) of the Articles, the repurchase of shares by the Company

shall be in accordance with these Articles or the Company shall obtain authorization at a shareholders' meeting with approval by resolution(s) of the board at a board meeting attended by more than two-thirds directors.

**Article 35** Shares repurchased by the Company in accordance with the laws and provisions in Article 29 of these Articles, if falling into the circumstances specified under Article 29(1), shall be cancelled within 10 days since the date of repurchase; if falling into the circumstances specified under Article 29(2) and Article 29(4), shall be transferred or cancelled within 6 months and an application shall be made to the companies registration authorities (where the Company was registered) to change the registered capital; if falling into the circumstances specified in Article 29(3), Article 29(5) and Article 29(6), shall be transferred or cancelled within 3 years and the total number of shares of the Company held by the Company shall not exceed 10% of total issued shares of the Company.

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

The Company shall not accept its shares as the subject of pledge.

## **CHAPTER 5 FINANCIAL ASSISTANCE FOR ACQUISITION OF SHARES**

**Article 36** The Company and its subsidiaries shall not at any time and in any manner provide any form of financial assistance to a person purchasing or who intends to purchase the shares of the Company or its parent company's shares, excluding companies implementing employee stock ownership plans. For the purpose of this Article, a purchaser of the Company's shares includes a person who directly or indirectly undertakes any form of obligations as a result of a purchase of the Company's shares.

The Company and its subsidiaries shall not at any time and in any manner provide any form of financial assistance for the purpose of reducing or discharging the obligations of a purchaser of the Company's shares as described in the foregoing paragraph.

For the benefit of the Company, with the resolution of the shareholders' meeting or the authorization of the board of directors in accordance with the Company's articles of association or the shareholders' meeting, the Company may provide financial assistance for others to acquire shares of the Company or its parent company, but the cumulative total amount of financial assistance shall not exceed 10% of the total issued shares. The resolution made by the board of directors shall be passed by more than two-thirds of all directors.

If the aforementioned regulations are violated and cause losses to the Company, the responsible directors, and senior management personnel shall bear the liability for compensation.

This provision shall not apply to the circumstances described in Article 34 of

this Chapter.

**Article 37** "Financial assistance" referred to in this Chapter includes (without limitation) financial assistance provided by way of:

- (1) gift;
- (2) guarantee (including cases where the guarantor assumes any obligation(s) or provides security in the form of its assets in order to guarantee the performance of obligations by the obligor), indemnity (other than an indemnity given in respect of the Company's own default), release or waiver;
- (3) a loan or a contract under which the obligations of the Company have to be fulfilled before the obligations of the other side; or, a change in the parties to that loan or contract, or the assignment of any rights under that loan or contract etc; and
- (4) financial assistance given in any other form under circumstances whereby the Company is unable to pay its debts or has no net assets, or whereby the Company's net assets may be reduced by a material extent.

For the purpose of this Chapter, any reference to an assumption of obligation(s) includes (without limitation) situations where the obligor enters into a contract or makes any arrangements (without regard to whether such contract or arrangement is enforceable, and without regard to whether the obligations under such a contract or arrangement are to be borne by that obligor alone or together with other party or parties); and situations where a party's financial position is changed, without regard to the means by which those changes are brought about.

**Article 38** The following acts shall not be deemed prohibited by Article 32 of this Chapter:

- (1) where the financial assistance is provided by the Company in good faith and in the interests of the Company, and the main purpose of that financial assistance is not to facilitate the acquisition of shares in the Company or that financial assistance is an incidental part of some broader purpose of the Company;
- (2) where the Company is lawfully distributing its assets by way of dividend;
- (3) the distribution of dividend by way of an allotment of bonus shares;
- (4) a reduction of the Company's registered capital, a repurchase of the Company's shares or a reorganisation of the structure of the Company's share capital etc. In accordance with these Articles;
- (5) where the Company provides a loan which is within its scope of operations and which is in the ordinary course of its business (provided that the Company's net assets are not reduced as a result of such a loan, or where the Company's net assets are reduced, to the extent that those assets are reduced, the financial assistance is provided out of the distributable profits

of the Company);

- (6) contributions of money by the Company to employees' shares schemes (provided that the Company's net assets are not reduced as a result of such contributions, or where the Company's net assets are reduce, to the extent that those assets are reduced, the financial assistance is provided out of the distributable profits of the Company).

## **CHAPTER 6 SHARE CERTIFICATES AND SHARE REGISTER**

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

Share certificates shall contain matters prescribed by the Company Law and the rules of the stock exchange(s) on which the Company's shares are listed.

**Article 40** Share certificates shall be signed by the chairman. If a stock exchange on which the Company's shares are listed requires the share certificates to be signed by other senior officers of the Company, the share certificates shall also be signed by such senior officers. The share certificates shall become valid after they are affixed with the Company's seal or a machine-imprinted seal of the Company. The seal of the Company shall not be affixed to any share certificates without the prior authorization of the board of directors. The signatures of the chairman and/or other senior officers of the Company on the share certificates may take the form of machine-imprinted signatures. Under the conditions of paperless issuance and trading of company stocks, the securities regulatory rules of the place where the company is listed shall apply separately.

**Article 41** The Company shall maintain a register of shareholders based on the certificates provided by the securities registration and settlement authority as a record of the following matters: -

- (1) the name or title and resident;
- (2) the number of shares held by each shareholder;
- (3) the amount(s) paid up or payable on the shares held by each shareholder;
- (4) the serial numbers of the shares held by each shareholder;
- (5) the date on which each shareholder acquired the shares;

The register of shareholders is a sufficient evidence of the shareholders holding shares in the company, except contrary evidence.

**Article 42** The Company may, in accordance with any understanding or agreement reached between the securities regulatory authorities of the State Council and overseas securities regulatory authorities, keep the register of holders of overseas listed foreign shares outside the PRC, and appoint (an) overseas agent(s) to oversee the maintenance of that register. The original of the register of holders of overseas listed foreign shares listed in Hong Kong shall be maintained in

Hong Kong.

**Article 43** The Company shall keep a complete register of shareholders, which shall comprise the following parts: -

(1) register(s) maintained at the Company's domicile, which shall be register of all shareholders other than those registered in accordance with paragraph (2) and (3) of this Article;

(2) register(s) of holders of overseas listed foreign shares maintained at the place(s) where the stock exchanges on such shares are listed is/are located; and

(3) register(s) maintained at such other place(s) as the board of directors may deem necessary for the purpose of listing the Company's shares.

**Article 44** For shareholders of foreign shares listed overseas, different parts of the register of shareholders shall not overlap. No transfer of shares registered in one part of the register of shareholders shall, for the period during which those shares remain registered, be registered in any other part of the register of shareholders.

All fully paid up overseas listed foreign shares listed in Hong Kong shall be freely transferable in accordance with these Articles, subject to the right of the board of directors to refuse recognition of any transfer document, without providing any reason for such refusal, unless and until the following conditions are satisfied: -

(1) payment of a fee of HK\$2.50, or such larger amount as may from time to time be approved by the Hong Kong Stock Exchange, to the Company for the registration of any transfer document(s) or other document(s) relating to or affecting the ownership of the shares in question or the change of ownership of those shares;

(2) the transfer document relates only to overseas listed foreign shares listed in Hong Kong;

(3) payment in full of any stamp duty due on the transfer document;

(4) production of the relevant share certificates and any other evidence reasonably required by the board of directors to prove the transferor's right to make the transfer;

(5) if the shares are to be transferred to joint holders, the number of joint holders do not exceed four; and

(6) the relevant shares are free from all liens of the Company.

Amendments or rectification to any parts to any parts of the register of shareholders shall be made in accordance with the applicable laws of the place where that part of the register of shareholders is kept.

**Article 45** Any laws, regulations and listing rules of the place where the shares of the Company are listed concerning the book closure period prior to the holding of a

shareholders' general meeting or the record date for the determination of entitlements to dividend distributions by the Company shall be observed.

**Article 46** When the Company convenes a shareholders' general meeting, distributes dividends, goes into liquidation or carries out other activities which require the identification of its shareholders for the time being, the Board of Directors or the convener of the general meeting of shareholders shall fix a day to be the registration date for the purpose of determining the shareholders for the time being. The shareholders registered after the closing of the equity registration date are the shareholders who enjoy the relevant rights and interests.

**Article 47** If a registered stock is stolen, lost or destroyed, the shareholder may request the people's court to declare the stock invalid in accordance with the public notice procedure stipulated in the Civil Procedure Law of the People's Republic of China. After the people's court declares the stock invalid, shareholders can apply to the company for a reissue of the stock.

**Article 48** Any shareholder who is registered on the register of shareholders or any person who requests for his name to be entered in the register of shareholders may, if he has lost his share certificate(s) ("original certificate"), apply to the Company for the issue of replacement certificate(s) in respect of those shares ("relevant shares").

A holder of overseas listed foreign shares who has lost his share certificate(s) and applies for replacement certificate(s) to be issued may do so in accordance with law and regulations of the relevant stock exchange or other relevant requirements of the place where the relevant register of overseas listed foreign shareholders is kept.

When a holder of overseas listed foreign shares listed in Hong Kong, who has lost his share certificate(s), applies for replacement certificate(s) to be issued, the following conditions shall be fulfilled prior to the issue of the replacement certificate(s):

(1) the applicant shall submit an application to the Company in a form prescribed by the Company accompanied by a notarised document or a statutory declaration, the contents of which shall include the grounds on which the application is made, the circumstances of the loss of the original certificate, such other particulars as may be required in order to support the grounds upon which the application is made, and a declaration that no other person is entitled to be registered as a shareholder in respect of the relevant shares.

(2) The Company did not receive, prior to the issue of the replacement share certificate(s), any declaration(s) from any person(s), other than the applicant, seeking to be registered as a shareholder in respect of the share(s) in question.

(3) Prior to the issue of (a) replacement share certificate(s) to the applicant, the Company shall make an announcement of such proposed issue at least once over every 30 days for a period of 90 days in such newspapers as may be

chosen by the board of directors for this purpose.

(4) Prior to publication of the public announcement regarding the proposed issue of replacement share certificate(s), the Company shall deliver to the stock exchange on which the relevant shares are listed a copy of such proposed announcement. The announcement shall be published in the newspapers chosen by the board of directors, after the receipt of a confirmation from the said stock exchange that the proposed announcement is being and will be exhibited on the said stock exchange for a period of 90 days.

If the application for the issue of replacement certificate(s) does not have the consent of the person(s) registered in the register of shareholders as the holder(s) of the share(s) in question, the Company shall send a copy of the proposed announcement by post to such person(s) registered as the holder(s) of those share(s).

(5) If, upon the expiration of the 90-day periods referred to in paragraphs (3) and (4) of this Article, the Company has not received any objection to the issue of replacement certificate(s), the Company may issue replacement share certificate(s) pursuant to the application made by the applicant.

(6) When the Company issues replacement share certificate(s) under this Article, it shall forthwith cancel the original certificate(s), and enter the details of such cancellation and replacement issue in the register of shareholders.

(7) All expenses incurred by the Company in connection with the cancellation of the original certificate(s) and the issue of replacement share certificate(s) shall be borne by the applicant. The Company may refuse to take any action to replace any lost certificate(s) unless and until reasonable security is provided by the applicant for such expenses.

## **CHAPTER 7 RIGHTS AND OBLIGATIONS OF SHAREHOLDERS**

**Article 49** A shareholder of the Company is a person who lawfully holds shares of the Company and whose name is entered in the register of shareholders.

A shareholder shall enjoy the rights and shall bear the obligations attached to the class(es) and the proportion of shares held by him; shareholders holding the same class of shares shall be entitled to the same rights and shall bear the same obligations.

**Article 50** Where two or more persons are registered as the joint holders of any shares, they shall be deemed to hold those shares as joint owners, subject to the following provisions: -

(1) the Company shall not be bound to register more than four persons as the joint holders of any share;

(2) joint holders are liable severally as well as jointly for all payments which

have to be made in respect of their share(s);

(3) on the death of any one of such joint holders, the survivor(s) of joint holders shall be the only person or persons recognised by the Company as having title to the shares in question but the board of directors may require such evidence of death as it sees fit; and

(4) in respect of joint holders of any share(s), only the joint holder whose name stands first in the register of shareholders shall be entitled to receive the certificate(s) relating to such share(s), to receive notices from the Company, to attend or vote at general meetings of the Company. Any notice given to such person shall constitute notice to all the other joint holders.

**Article 51** Shareholders of the Company shall enjoy the following rights: -

(1) to receive dividends and other distributions in proportion to the proportion of shares held by him;

(2) to request, convene, preside over, attend and vote or appoint proxies to attend and vote on his behalf at shareholders' general meetings in accordance with the law;

(3) to supervise the operations of the Company, to make suggestions or to raise queries;

(4) to transfer, gift or pledge shares held by them in accordance with the applicable laws, administrative regulations and these Articles;

(5) to refer to and copy these articles of association, shareholder register, minutes of shareholder meetings, resolutions of board meetings, and financial accounting reports;

(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 proportion of shares held by the Company;

(7) Shareholders who object to the merger or division resolution made by the shareholders' meeting request the company to acquire their shares;

(8) Other rights conferred by relevant laws, administrative regulations, and departmental regulations and these Articles.

Shareholders who wish to inquire about the information of the above mentioned items or request any information, should tender documentary evidence showing the category and the number of shares he is holding, the Company will provide the relevant information after confirming the shareholder status. Shareholders shall bear the costs associated with inquiring about the information or data referred to in paragraph (5) above.

Shareholders individually or collectively holding more than 3% of the Company's shares for more than 180 consecutive days may request to inspect

the account books and accounting documents of the Company. In such case, such request shall be made to the Company in writing and state its purposes. If the Company, on reasonable grounds, considers that the shareholders are inspecting the account books and accounting documents for improper purposes and may result in damage to the Company's legitimate interests, the Company may refuse the inspection and make written response to the shareholders stating its reasons within 15 days upon delivery of the written request by the shareholders. If the Company refuses the inspection, the shareholders may initiate proceedings in the People's Court.

Shareholders may appoint an intermediary agency, such as an accounting firm or a law firm, to inspect the materials provided for in the preceding paragraph. Shareholders shall bear the relevant expenses incurred from reviewing the materials specified in the preceding paragraph, including the fees for appointing intermediary agencies. Shareholders and the accounting firms, law firms and other intermediary agencies they appointed shall comply with the requirements of laws and administrative regulations on the protection of state secrets, trade secrets, personal privacy and personal information when inspecting and making copies of relevant information.

If a shareholder requests for a review or reproduction of the relevant materials of the Company's wholly-owned subsidiaries, the provisions of this article shall apply.

If a shareholder of the Company requests for a review or reproduction of the relevant materials, the shareholder shall comply with the Securities Law of the People's Republic of China and other laws and administrative regulations.

## **Article 52**

If a resolution passed at the Company's general meeting or Board meeting violates the laws or administrative regulations, the shareholders shall have the right to plead to the People's Court to render the same invalid.

If the procedures for convening, or the method of voting at, a shareholders' general meeting or Board meeting violate the laws, administrative regulations or the Articles of Association, or the contents of a resolution violate the Articles of Association, shareholders shall be entitled to initiate proceeding to the People's Court to rescind such resolutions within 60 days from the date on which such resolution is adopted. However, this does not apply to cases where the convening procedures or voting methods of the shareholders' meeting or the board of directors meeting have only minor defects that do not have a substantial impact on the resolution.

If there is a dispute among the board of directors, shareholders and other relevant parties over the validity of a shareholders' meeting resolution, they shall promptly file a lawsuit with the People's Court. Before the People's Court makes a judgment or ruling such as revoking the resolution, the relevant parties shall implement the shareholders' meeting resolution. The Company,

its directors and senior managers shall earnestly perform their duties to ensure the normal operation of the Company.

If the People's Court makes a judgment or ruling on relevant matters, the Company shall perform its information disclosure obligations in accordance with the provisions of laws, administrative regulations, the China Securities Regulatory Commission and the stock exchange, fully explain the impact, and actively cooperate with the implementation after the judgment or ruling takes effect. If it involves correcting previous matters, it shall handle them in a timely manner and perform the corresponding information disclosure obligations.

**Article 53**

Where the Company incurs losses as a result of Directors' and senior management's violation of the laws other than members of the Audit Committee, administrative regulations or the Articles of Association in the course of performing their duties with the Company, shareholders individually or jointly holding 1% or more of the Company's shares for more than 180 consecutive days shall be entitled to request in writing the Audit Committee to initiate proceedings in the People's Court. Where the Company incurs losses as a result of the Audit Committee' violation of any provision of laws, administrative regulations or the Articles of Association in the course of performing its duties with the Company, the aforementioned shareholders shall be entitled to make a request in writing to the Board to initiate proceedings in the People's Court.

In the event that the Audit Committee or the Board refuses to initiate proceedings after receiving the written request of shareholders stated in the foregoing paragraph, or fails to initiate such proceedings within 30 days from the date on which such request is received, or in case of emergency where failure to initiate such proceedings immediately will result in irreparable damage to the Company's interests, shareholders described in the preceding paragraph shall have the right to initiate proceedings in the People's Court directly in their own names in the interest of the Company.

Shareholders described in the third paragraph of this Article may also initiate proceedings in accordance with the preceding two paragraphs in the event that the Company incurs losses as a result of the lawful interests of the Company being infringed upon by any third parties.

If the directors or senior management of the wholly-owned subsidiaries of the Company violate laws, administrative regulations, or the Company's articles of association while performing their duties, causing losses to the Company, or a third party infringes upon the lawful rights and interests of the wholly-owned subsidiaries of the Company and causes losses to the wholly-owned subsidiaries of the Company, shareholders who hold 1% or more of the shares in the Company, either individually or collectively, for 180 or more consecutive days shall have the right to request the board of directors of the

wholly-owned subsidiaries of the Company in writing to institute proceedings in the People's Court or institute proceedings directly in the People's Court in their own names pursuant to the preceding three paragraphs of this Article.

Where a wholly-owned subsidiary of the Company does not have a supervisory board or supervisors but has an audit committee, the provisions of the first and second paragraphs of this Article shall apply.

If directors or senior management personnel violate laws, administrative regulations or the provisions of these articles of association and harm the interests of shareholders, shareholders may file a lawsuit with the people's court.

**Article 54** A resolution of the Company's shareholders' meeting or board of directors shall be deemed not to have been passed under any of the following circumstances:

- (1) The resolution is made without convening a shareholders' meeting or board of directors meeting;
- (2) The shareholders' meeting or board of directors meeting does not vote on the matters of the resolution;
- (3) The number of attendees or the number of voting rights held does not meet the number of attendees or the number of voting rights specified in the Company Law or these Articles;
- (4) The number of persons agreeing to the matters of the resolution or the number of voting rights held does not meet the number of persons or the number of voting rights specified in the Company Law or these Articles.

**Article 55** A holder of ordinary shares in the Company shall have the following obligations:-

- (1) to abide by laws, administrative regulations, and these Articles;
- (2) to pay subscription monies in accordance with the shares subscribed to by him and the manner of subscription;
- (3) not to withdraw their share capital except as provided by laws and regulations;
- (4) not to abuse their shareholder rights to damage the interests of the company or other shareholders; nor shall they abuse the independent status of the Company as a legal person and the limited liability of shareholders to damage the interests of the Company's creditors;
- (5) other obligations imposed by relevant laws, administrative regulations and these Articles.

If a shareholder of the Company abuses its shareholder rights and causes losses to the Company or other shareholders, it shall bear the liability for compensation in accordance with the law. If a shareholder of the Company

abuses the independent status of the Company as a legal person and the limited liability of shareholders to evade debts and seriously damages the interests of the Company's creditors, it shall bear joint and several liability for the Company's debts.

H shares pledge must be handled in accordance with the securities regulatory rules of the Company's overseas listing location.

**Article 56** Apart from the obligations imposed by law, administrative regulations or the listing rules of the stock exchange(s) on which shares of the Company are listed, a controlling shareholder when exercising his rights as a shareholder shall not, by virtue of the exercise of his voting rights, cause a decision to be made such as to prejudice the interests of the general body of shareholders or a group of shareholders in relation to the following matters: -

(1) to release a director from his duty to act honestly in the best interests of the Company;

(2) to approve an expropriation in any form by a director (for his own benefit or for the benefit of another person) of the Company's assets including (but not limited to) any opportunities beneficial to the Company; or

(3) to approve an expropriation by a director (for his own benefit or for the benefit of another person) of personal rights of other shareholders, including (but not limited to) any distribution and voting rights, but not including a restructuring of the Company submitted to and approved by shareholders in general meeting in accordance with these Articles.

**Article 57** The controlling shareholders (the “Controlling Shareholders”) and the de facto controllers of the Company shall exercise their rights and perform their obligations in accordance with the provisions of laws, administrative regulations, the China Securities Regulatory Commission and stock exchanges, and safeguard the interests of the Company.

**Article 58** The controlling shareholders and the de facto controllers of the Company shall comply with the following provisions:

(1) exercise shareholder rights in accordance with the law, and shall not abuse control power or use affiliated relationships to damage the legitimate rights and interests of the Company or other shareholders;

(2) strictly fulfill the public statements and various commitments made, and shall not arbitrarily modify or grant exemptions;

(3) strictly perform information disclosure obligations in accordance with relevant regulations, actively cooperate with the Company in information disclosure work, and promptly inform the company of major events that have occurred or are planned to occur;

(4) not to occupy the Company's funds in any way;

(5) not to force, instigate or require the Company and relevant personnel to

provide guarantees in violation of laws and regulations;

(6) not to use the Company's undisclosed major information to seek benefits, not to disclose undisclosed major information related to the Company in any way, and shall not engage in illegal and irregular acts such as insider trading, short-term trading, and market manipulation;

(7) not to damage the legitimate rights and interests of the Company and other shareholders through any means such as unfair related transactions, profit distribution, asset restructuring, and external investment;

(8) ensure the Company's asset integrity, personnel independence, financial independence, institutional independence and business independence, and shall not affect the Company's independence in any way;

(9) other provisions of laws, administrative regulations, the China Securities Regulatory Commission, stock exchange business rules and these Articles.

If the controlling shareholder or the de facto controller of the Company does not serve as a director of the Company but actually administers the Company's affairs, the provisions of these Articles regarding the fiduciary duty and duty of diligence of directors shall apply.

If the controlling shareholder or the de facto controller of the Company instructs a director or senior manager to engage in acts that damage the interests of the company or its shareholders, they shall bear joint and several liability with such director or senior manager.

**Article 59** Where a controlling shareholder or de facto controller pledges the Company's shares held or actually controlled by them, they shall maintain the stability of the Company's control right and production and operation.

**Article 60** Where a controlling shareholder or de facto controller transfers the shares of the Company held by them, they shall comply with the restrictive provisions on share transfer as stipulated in laws, administrative regulations, the China Securities Regulatory Commission and the stock exchange where the Company's shares are listed, as well as the commitments made by them on restricting share transfer.

## **CHAPTER 8 SHAREHOLDERS' GENERAL MEETINGS**

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

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

- (1) to appoint and replace non employee representative directors and to decide matters concerning directors' remuneration;
- (2) to consider and approve reports of the board of directors;
- (3) to consider and approve proposals for the distribution of the Company's

profits and plans for making up any losses of the Company;

(4) to consider and decide on proposals to increase or reduce the registered capital of the Company;

(5) to consider and decide matters concerning the merger, demerger, dissolution and liquidation or alteration of corporate form of the Company;

(6) to consider and decide on the issue of debt securities by the Company;

(7) to consider and decide the appointment, dismissal of a firm of accountants responsible for the Company's audit services and its salary;

(8) to examine and approve the provision of guarantees under Article 63;

(9) to examine matters relating to the purchases and disposals of the Company's material assets within one year, which exceed 30% of the Company's latest audited total assets;

(10) to make amendments to these Articles;

(11) to examine and approve changes in the use of raised funds;

(12) to examine equity incentive plans and employee stock ownership plans;

(13) to consider any resolution(s) proposed by shareholders representing 1% or more of the shares carrying voting rights, and to decide such proposals;

(14) with the authorization of the annual general meeting of the Company, the Board of Directors may decide to issue shares with a total financing amount not exceeding RMB300 million and not exceeding 20% of the net assets at the end of the latest year to specific parties, and the authorization shall expire on the date of the next annual general meeting;

(15) to consider and decide any other matters required by law, administrative regulations, departmental regulations or these Articles to be dealt with in a shareholders' general meeting.

The shareholders' meeting may authorize the board of directors to make resolutions on the issuance of corporate bonds.

**Article 63** Any guarantees of the Company shall be subject to approval by the general meeting of shareholders: -

(I) the total amount of external guarantees provided by the company and its holding subsidiaries exceeds 50% of the latest audited net assets;

(II) any guarantee provided after the total amount of guarantee to third parties provided by the Company has exceeded 30% of the Company's latest audited total assets;

(III) guarantee amount provided by the company to others within one year exceeds 30% of the company's latest audited total assets;

(IV) guarantee provided for guarantee objects with asset liability ratio exceeding 70%;

(V) resolution for a single guarantee of which the amount exceeds 10% of the Company's latest net assets ;

(VI) guarantee provided for shareholders, de facto controllers and their related parties.

**Article 64** Except where the Company is in crisis or any extraordinary circumstance, the Company shall not, without the prior approval of the shareholders' general meeting by way of special resolution, enter into any contract with any person, who is not a director, general manager or other senior management officer of a Company, to give to such a person the responsibility for the management of the whole or a substantial part of the business of the Company.

**Article 65** Shareholders' general meetings are divided into annual general meetings and extraordinary general meetings of Shareholders. Shareholders' general meetings shall be convened by the board of directors. Annual general meetings shall be held once every year within six months after the end of each financial year.

The board of directors shall convene an extraordinary general meeting within 2 months of the occurrence of any one of the following events: -

- (1) when the number of directors is less than the number prescribed by the Company Law or less than two-thirds of the number prescribed in these Articles;
- (2) when the losses of the Company amount to one-third of its share capital;
- (3) upon the requisition in writing of Shareholders who individually or collectively hold 10 percent or more of the issued voting shares;
- (4) when the board of directors considers it necessary or upon the request of the Audit Committee.
- (5) such other circumstances as provided for by laws and regulations, administrative rules or the Articles of Association.

**Article 66** When the Company convenes an annual shareholders' general meeting, it shall at least 20 working days prior to the date of the meeting, notify all shareholders by public announcement; when the Company convenes an extraordinary general meeting, it shall, at least 10 working days or 15 working days (whichever is longer) prior to the date of the meeting, notify all shareholders by public announcement. Shareholders who intend to attend the meeting shall deposit at the Company written replies confirming their intention to attend within the time limit specified in the notice of the meeting.

The Company shall exclude the date of the meeting when determining the starting date of the time limit.

The shareholders' general meeting shall have a venue and be held on-site. The

Company may provide internet or other means for the purpose of providing convenience to shareholders attending the shareholders' general meeting. In addition to setting up a venue for on-site meetings, shareholders' meetings can also be held simultaneously through electronic communication.

**Article 67** When the Company convenes shareholders' general meeting, the Board of Directors, the Audit Committee and shareholder(s), severally or jointly, holding 1 percent or more of the shares of the Company carrying voting rights are entitled to put forward a proposal, in writing, (except those stated in Article 118(a)) to be considered at the meeting.

Shareholders, severally or jointly, holding 1 percent or more of the shares of the Company carrying voting rights may put forward a temporary proposal and submit it to the board of directors in writing 10 days prior to the date of shareholders' meeting; and the board of directors shall, within 2 days after receipt of the proposal, notify other shareholders and present the temporary proposal to shareholders' general meeting for deliberation. The content of the temporary proposal should be within the scope of functions and powers of the shareholder's general meeting and there shall be clear and definite topics and specific matters to resolve.

The Company shall include in the notice and agenda of that meeting those matters contained in the proposal which are within the scope of the functions and powers of the shareholders' general meeting, provided that the said proposal shall be delivered to the Company at least 7 days prior to that general meeting after notice of that general meeting was given.

Except for above-mentioned provisions, the convener, after issuing notice of shareholder's general meeting, shall not revise the proposal specified or add new proposal in the shareholder's general meeting notice.

**Article 68** A shareholders' general meeting may not decide by vote and pass any resolution with regard to any proposal not set out in the notice convening that meeting or not in compliance with provisions of these Articles.

**Article 69** Notice of a shareholders' general meeting shall: -

- (1) specify the place, the date and the time of the meeting;
- (2) state the matters and proposals to be considered at the meeting;
- (3) if any director, general manager or other senior management officer has a material interest in a matter to be considered at the general meeting, he shall disclose the nature and extent of such interest; if the matter to be considered affects a director, general manager or other senior management officer in his capacity as a shareholder in a manner different from the manner in which the other shareholders of the same class are affected, then such differences should be declared;
- (4) contain the text of any special resolution proposed to be passed at the

general meeting;

(5) contain, in conspicuous wording, all shareholders have the right to attend the shareholders' meeting and may appoint a proxy in writing to attend and vote at the meeting. The proxy does not need to be a shareholder of the Company;

(6) the date of registration of equity entitlements for shareholders having the right to attend the general meeting;

(7) the names and contact telephone numbers of the regular contact persons in connection with the meeting; and

(8) voting time and voting procedures through online or other means.

**Article 70** Notices of shareholders' general meetings shall be served on all shareholders (whether or not they are entitled to vote thereat) by announcement or other means as stipulated in Article 216 of these Articles. Once the public announcement is made, all holders of domestic shares shall be deemed to have received notice of the relevant shareholders' general meeting.

**Article 71** Where the elections of Directors are to be discussed, a notice of the general meeting of shareholders shall fully disclose the particulars of the candidates for Directors and shall at least include the following contents:-

(I) personal particulars such as educational background, working experience and part-time job;

(II) whether or not the candidate has any connected relationship with the Company or its controlling shareholders and de facto controllers;

(III) disclose the number of shares of the Company held by the candidate;

(IV) whether or not the candidate has been subject to penalties by the China Securities Regulatory Commission and other relevant authorities as well as sanctions by any stock exchange.

Save for the elections of Directors held by adopting cumulative voting system, each candidate for a Director shall be proposed by way of single proposal.

**Article 72** Subsequent to the dispatch of a notice of the general meeting, the general meeting shall not be postponed or cancelled without proper reasons, and the proposals set out in the notice of the general meeting shall not be withdrawn. Once the meeting is postponed or cancelled, the convener shall make an announcement and give reasons thereof at least 2 working days prior to the original date of the meeting.

The Board of Directors and other conveners shall take all necessary measures to ensure that the shareholders' general meeting is conducted in an orderly manner and shall take steps to prevent any acts that interfere the shareholders' general meeting, those that are provocative and disturbing and those that infringe upon the legal interests of shareholders and report such activities to the

relevant authority.

**Article 73** All the ordinary shareholders or their proxies registered on the date of registration shall have the right to attend the shareholders' general meeting. Any shareholder entitled to attend and vote at a shareholders' general meeting shall be entitled to appoint one or more persons (whether or not a shareholder) as his proxy to attend and vote instead of him. The proxy of a shareholder may exercise the following rights in accordance with the authorisation of that shareholder: -

(1) that shareholder's right to speak at the meeting;

(2) the right to demand, whether on his own or with others, a poll; and

(3) the right to vote on a show of hands or on a poll, but a proxy of a shareholder who has appointed more than one proxy may only vote on a poll.

**Article 74** Individual shareholders attending the meeting in person shall present their personal identity cards or other valid documents or stock account card for identification. Proxies attending the meeting shall present their valid personal identity cards and the authorization letters from the shareholder. Corporate shareholders shall be represented by its legal representative or proxies authorized by the legal representative. Legal representatives attending the meeting shall present their personal identity cards or valid documents that can prove its identity as the legal representative. Proxies authorized to attend the meeting shall present their personal identity cards or the authorization letter legally issued by the corporate shareholder.

**Article 75** A shareholder shall appoint a proxy in the form of a written instrument, signed by the appointing shareholder or the agent of the appointing shareholder duly authorized in writing. If the appointing shareholder is a legal person, the legal person's seal or the signature(s) of its director(s) or representative(s) duly authorized in writing is required. The authorization letter issued by shareholders to authorize other persons to attend the general meeting shall clearly state the followings:-

(I) name or title of the principal, class and quantity of Company shares held;

(II) the name of the proxies;

(III) specific instructions from shareholders, including separate instructions to vote for, against or abstain from voting on each of the items in the agenda of the meeting;

(IV) the signing date and the effective period of the authorization letter;

(V) signature ( or seal ) of the appointing shareholders. If the appointing shareholder is a legal entity, such instrument appointing the proxy shall be affixed with legal person seal or signed by a Director, an executive officer or a duly authorized person.

**Article 76** The instrument appointing a proxy shall be deposited at the domicile of the Company or such other place as prescribed in the notice convening the meeting,

either 24 hours prior to the meeting in question or 24 hours prior to the time specified for conducting the poll. If the instrument appointing a proxy is signed by a person (other than the appointing shareholder) who is authorised by the appointing shareholder, the power of attorney or other document empowering that person must be notarised. The notarised document(s) shall be then deposited, together with the instrument appointing the proxy, at the domicile of the Company or such other place as prescribed in the notice convening the meeting.

If the appointing shareholder is legal person, its legal representative, or any person authorised by its board of directors or other governing body to act as its representative, may attend the general meeting.

**Article 77** (1) The format of any proxy form issued to shareholders by the board of directors for the purpose of appointing proxies shall enable a shareholder, according to his free choice, to instruct his proxy to vote in favour of or against each resolution proposed at the meeting.

(2) If the shareholder, being the holder of overseas listed foreign shares in the Company, is a recognized clearing house defined in the Securities and Futures (Clearing Houses) Ordinance (Chapter 420 of the Laws of Hong Kong), it may authorize any appropriate person(s) as it thinks fit to act as its representative(s) at any shareholders' general meetings and creditors' meeting. If more than one person is so authorized, the instrument of authorization must clearly state the class(es) and number of shares in respect of which each such person is so authorized. The aforementioned authorized person is entitled to exercise rights on behalf of the recognized clearing house (or its proxy (ies), as if such person is an individual shareholder of the Company.

**Article 78** The vote of a proxy at a general meeting which is in accordance with the terms of the instrument of his appointment shall be valid notwithstanding the appointing shareholder's death, loss of capacity, revocation of his appointment or the authority under which the instrument of his appointment was executed, or a transfer of the relevant shares, provided that the Company did not receive notice in writing of such event prior to the commencement of the relevant meeting.

**Article 79** The Company shall be responsible for compiling the attendee register which shall include, among others, the name of attendee (or name of relevant unit), the number of shares with voting rights that he holds or represents, and name of the person (or name of relevant unit) who attends the meeting by proxy.

**Article 80** The Company shall, in connection with the convening of a shareholders' general meeting, engage lawyers to issue legal opinions in respect of the following matters and make relevant announcements accordingly:

(I) whether the procedures relating to the convening and the holding of such meeting comply with the laws, administrative regulations and the Articles of Association;

- (II) the legality and validity of the qualifications of the attendees and the convener of the meeting;
- (III) the legality and validity of the voting procedures and voting results;
- (IV) legal opinions issued on other related matters as requested by the Company.

**Article 81** The convener and lawyers engaged by the Company shall together verify the legality of the qualifications of shareholders against the register of members provided by the securities registration and settlement institutions and the foreign agency, and shall register the names of shareholders and the number of voting shares each of them holds. The registration shall end before the chairperson of the meeting announces the number of shareholders and proxies attending the meeting and the total number of voting shares they hold.

**Article 82** If the shareholders' meeting requires directors and senior management personnel to attend the meeting, they shall attend the meeting and accept inquiries from shareholders.

**Article 83** Resolutions of shareholders' general meetings shall be divided into ordinary resolutions and special resolutions.

An ordinary resolution shall be passed by a majority of the votes represented by the shareholders (including proxies), having the right to vote and present at the shareholders' general meeting, being exercised in favour of the resolution.

A special resolution shall be passed by more than two-thirds of the votes represented by the shareholders (including proxies), having the right to vote and present at the shareholders' general meeting, being exercised in favour of the resolution.

**Article 84** Shareholders (including proxies) shall exercise such voting rights at shareholders' general meetings as they may have in accordance with the number of shares they hold which carry the right to vote, with each share of the Company carrying one vote except where the cumulative voting system stipulated in Article 110(e) of the Articles of Association is adopted.

**Article 85** Subject to compliance with the laws and regulations of the place where the company's stock is listed, at any shareholders' meeting, voting shall be by a show of hands related to procedures or administrative matters. Except for the aforementioned circumstances, the shareholders' meeting must adopt a registered voting method.

**Article 86** If a poll is demanded on a vote concerning the election of the compere of the meeting or an adjournment of the meeting, the poll shall be taken immediately. A poll demanded on any other matters shall be taken at such time as the compere of the meeting decides, and the meeting may proceed to consider and vote on other matters. The result of a poll shall be deemed to be a resolution passed by the meeting during which the poll was demanded.

**Article 87** Subject to compliance with the laws and regulations of the place where the company's stock is listed, on a poll taken at a meeting, a shareholder (including his proxy) entitled to two or more votes need not cast all his votes in the same way.

Where any shareholder under any rules of a stock exchange and the provisions of the company's articles of association on which the Company's shares are listed is required to abstain from voting on any particular resolution and on any specific resolution or restricted to voting only for or only against any particular resolution, any votes cast by on or behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

When material issues affecting the interests of small and medium investors are considered at the shareholders' general meeting, the votes of small and medium investors shall be counted separately. The separate voting results shall be disclosed publicly in a timely manner.

Shares of the Company held by the Company do not carry any voting rights, and shall not be counted in the total number of voting shares represented by shareholders present at a shareholders' general meeting.

If a shareholder's purchase of voting shares in the Company violates the provisions of Article 63, paragraphs 1 and 2 of the Securities Law, the excess portion of the shares shall not exercise voting rights within 36 months after purchase and shall not be included in the total number of voting shares present at the shareholders' meeting.

Subject to compliance with the regulatory rules of the place where the Company's shares are listed, the Board, independent directors and shareholders holding more than 1% of the voting shares or investor protection institutions established in accordance with laws, administrative regulations, or the provisions of the China Securities Regulatory Commission are entitled to solicit proxy from shareholders publicly. While soliciting proxy of shareholders, sufficient disclosure of information such as the specific voting preference shall be made to the shareholders from whom proxy is being solicited. No consideration or other form of actual consideration shall be involved in the solicitation of proxy from shareholders. Except for the legal conditions, the Company shall not impose any limitation related to the minimum shareholding ratio on the solicitation of proxy.

**Article 88** The following matters may be approved by an ordinary resolution of a shareholders' general meeting: -

- (1) work reports made by the board of directors;
- (2) proposals formulated by the board of directors for distribution of profits and for making up losses;
- (3) appointment and removal of the non employee representative members of

the board of directors, as well as related director remuneration and the method of payment in respect of such remuneration;

- (4) all matters required to be approved by a shareholders' general meeting other than those required by PRC laws, administrative regulations or these Articles to be approved by way of special resolution.

**Article 89** The following matters may be approved by a special resolution of a shareholders' general meeting: -

- (1) an increase or reduction of the Company's registered capital;
- (2) an issue of debt securities of the Company;
- (3) the division, merger, dissolution, liquidation or change of corporate form of the company;
- (4) amendment to the Articles of Association of the Company;
- (5) the Company's purchase or sale of any material assets or the amount of guarantee provided to others, within one year, which exceeds 30% of the latest audited total assets of the Company;
- (6) equity-based incentive plan;
- (7) other matters required by laws, administrative regulations or these Articles and other matters required to be approved by ordinary resolution at a shareholders' general meeting and considered to cause material impact on the Company thus requiring to be approved by way of special resolution.

**Article 90** When any shareholders' general meeting considers matters related to related transactions, the related shareholder shall not vote and the number of voting shares that it represents shall not be counted as part of the total number of valid votes. The announcement of the resolution of the general meeting shall fully disclose the votes of the non-related shareholders.

**Article 91** Where the shareholders' general meeting is ensured to be legal and valid, and through various forms and manners, the Company shall provide internet-based voting platform and modern technology in first priority for the shareholders' general meeting, for the purpose of providing convenience to shareholders attending the shareholders' general meeting.

**Article 92** Except for the cumulative voting system, all resolutions proposed at the shareholders' general meeting shall be voted one by one, and for different motions on the same matter, voting will be conducted according to the time sequence these motions are put forward. Other than special reasons such as force majeure which results in the interruption of the meeting or makes it impossible to come to resolution, the shareholders' general meeting shall not postpone the motions and shall vote on them.

**Article 93** When considering a motion at the shareholders' general meeting, no change

shall be made thereto. Otherwise, such change shall be treated as a new motion which shall not be processed for voting at that general meeting.

**Article 94** The shareholders' general meeting shall adopt the voting method of voting by open ballot.

The same voting right shall only be exercised by one means, either through onsite voting or via internet or other voting means. If the same voting right is exercised in more than one means, the result of the first vote cast shall prevail.

**Article 95** Before the shareholders' general meeting votes on resolutions, it shall nominate 2 shareholder representatives to count the votes and scrutinize the voting. If a shareholder has conflict of interests in the matter to be discussed, the relevant shareholder and his proxy cannot participate in vote counting or scrutinize the voting.

When a shareholders' general meeting vote on resolutions, the counting of votes and scrutinizing of voting shall be conducted together by lawyers, shareholder representatives representatives. The voting results shall be announced during the meeting. The voting results shall be contained in the minutes of meeting.

A shareholder of the Company or its proxy, who uses the internet or other voting methods, is entitled to verify his voting results through relevant voting system.

**Article 96** Shareholders may convene an extraordinary general meeting in accordance with the following procedures:-

(1) shareholders, who individually or together hold 10 percent or more of the Company's shares carrying voting rights at the proposed meeting, may sign one or several written requisition(s) of the same form and contents, requiring the board of directors to convene an extraordinary general meeting as requested and clarify the agenda of the meeting. The board of directors shall make a decision on whether to convene an extraordinary general meeting of shareholders within ten days after receiving the aforementioned written request and provide a written response to the shareholders. The percentage represented by the shareholdings of the requisitioning shareholders shall be calculated as at the date of the deposit of the requisition.

If the board of directors agrees to convene the proposed extraordinary general meeting, it shall within 5 days of making board resolution give a notice of convening the aforesaid meeting. The notice should include resolutions submitted by relevant shareholders for review. Any alteration to the original resolution within the notice shall be subject to the agreement of the relevant shareholders. If the board of directors does not agree to convene the proposed extraordinary general meeting or fails to provide a feedback within 10 days of the receipt of the request, the shareholders individually or collectively holding more than ten percent of the Company's shares shall be entitled to

propose an extraordinary general meeting to be convened to the Audit Committee, and the proposal shall be made to the Audit Committee in writing.

(2) If the Audit Committee agrees to convene the proposed extraordinary general meeting, it shall within 5 days of receiving such request give a notice of convening the aforesaid meeting. The notice should include resolutions submitted by relevant shareholders for review. Any alteration to the original resolution within the notice shall be subject to the agreement of the relevant shareholders. Where the Audit Committee fails to give the notice of the shareholders' meeting within the specified time limit, it shall be deemed that the Audit Committee does not convene or preside over the meeting, in which case, shareholders who individually or together hold 10 percent or more of the shares of the Company for 90 or more consecutive days may convene and preside over the meeting on their own.

(3) All reasonable expenses incurred in connection with a meeting convened by any shareholders themselves and Audit Committee by reason of the failure of the board of directors to convene a meeting pursuant to a requisition shall be borne by the Company and shall be deducted from any sums due from the Company to those directors in default.

**Article 97**

With the consent of more than half of all independent directors, independent directors have the right to propose an extraordinary general meeting to be convened to the board of directors. The board of directors shall in accordance with the laws, administrative regulations and the Articles within 10 days of the receipt of the proposal by independent directors for convening an extraordinary general meeting, provide a written feedback as to whether or not it agrees to convene the proposed meeting. If the board of directors agrees to convene the proposed extraordinary general meeting, it shall within 5 days of making board resolution give a notice of convening the aforesaid meeting; if the board of directors does not agree to do so, it shall explain and make relevant announcement.

**Article 98**

The Audit Committee has the right to propose an extraordinary general meeting to be convened to the board of directors, and the proposal shall be made to the board of directors in writing. The board of directors shall in accordance with the laws, administrative regulations and the Articles within 10 days of the receipt of the proposal for convening an extraordinary general meeting, provide a written feedback as to whether or not it agrees to convene the proposed meeting. If the board of directors agrees to convene the proposed extraordinary general meeting, it shall within 5 days of making board resolution give a notice of convening the aforesaid meeting. Any alteration to the original proposal within the notice shall be subject to the agreement of the Audit Committee. If the board of directors does not agree to convene the proposed extraordinary general meeting or fails to provide a feedback within 10 days of the receipt of the proposal, the board of directors shall be deemed as unable to perform or not performing its duty of convening shareholders'

meeting, and the Audit Committee is entitled to solely convene and preside at the proposed meeting.

**Article 99**

If the Audit Committee or shareholders decides to solely convene a shareholders' general meeting, it shall notify the board of directors in writing, and report to relevant stock exchange for the record. Prior to the announcing of the resolution of the shareholders' general meeting, the percentage of shareholdings of the shareholders convening the meeting shall be not less than 10%. Relevant proof materials shall be submitted to relevant stock exchange by the shareholders convening the meeting prior to giving the notice of the shareholders' general meeting and announcing the resolutions of the shareholders' general meeting.

The board of directors and the company secretary shall cooperate in the shareholders' general meeting convened by the Audit Committee or shareholders. The board of directors shall provide the register of shareholders on the date of equity registration. The necessary expenses on the shareholders' general meeting solely convened by the Audit Committee or shareholders shall be borne by the Company.

**Article 100**

Shareholders' general meetings shall be presided over by the chairman. If the chairman is unable or fails to perform his duties, a director elected by a majority of the directors shall preside over the meeting.

Shareholders' general meetings solely convened by the Audit Committee shall be chaired by the chairman of the Audit Committee. If the chairman of the Audit Committee is not able or not to discharge its duty, a member of the Audit Committee recommended and elected by a majority of the members of the Audit Committee would chair the meeting.

Shareholders' general meetings solely convened by the shareholders shall be chaired by a representative recommended and elected by the shareholders convening the meeting.

In convening a shareholders' meeting, if the chairperson of the meeting violates the rules of procedures and causes the discontinuance of the meeting, the shareholders' general meeting may upon approval of over half of the shareholders with the right to vote present at the meetings, recommend and elect another person to take the chair and resume the meeting.

**Article 101**

The Company shall formulate the rules of procedures, specifying the convening and voting procedures of shareholders' general meetings, with the contents such as notifications, registration, deliberation on proposals, voting, counting of votes, announcement of voting results, formation of resolution, and writing, signing and announcement of minutes, and specifying the principle of delegation from shareholders' general meetings to board of directors, with the contents delegated clearly set out. The rules of procedures for shareholders' general meeting shall be annexed to the Articles, drawn by the board of

directors and subject to the approval by shareholders' general meetings.

**Article 102** At the shareholders' annual general meetings, the board of directors shall give reports on their work of the previous year to the shareholders' general meeting. Each independent director shall also give reports on work.

**Article 103** The directors and senior management officers shall give explanation as to the inquiries and suggestions of the shareholders at the shareholders' general meetings.

**Article 104** The chairperson of the meeting shall prior to the voting announce the number of the shareholders or agents present at the meeting, the total number of shares carrying the right to vote thereof. The aforesaid numbers shall be subject to the meeting register.

**Article 105** Shareholders' general meetings shall have the minutes of meeting, for which the secretary to the board of directors shall be responsible and in which the following contents shall be recorded: -

- (1) Time, location and agenda of the meetings and the names of conveners;
- (2) Names of the chairperson and names of the directors, general managers and other senior management officers attending the meetings;
- (3) Number of shareholders and agents present at the meetings, the total amount of shares carrying the right to vote, and the percentage thereof within the total shares of the Company;
- (4) Process of deliberation, essential of speeches and results of voting for each proposal;
- (5) Shareholders' inquires opinions or suggestions and corresponding answers and explanations;
- (6) Names of lawyers, vote-counters and scrutineers;
- (7) Number of such shares carrying the right to vote as held by shareholders holding domestic – funded shares (including agents thereof) and shareholders holding domestically listed foreign-funded shares (including agents thereof) present at the meeting and the percentage thereof within the total shares of the Company; and
- (8) Other contents the Articles requires to be recorded in the minutes of meetings.

When the result of voting is recorded, the voting condition of shareholders holding domestic-funded shares and shareholders holding domestically listed foreign-funded shares for each proposal shall also be recorded.

**Article 106** The end of the shareholders' general meetings on the ground shall not be earlier than that of the same convened online or by other means. The compere of the meeting shall announce the voting status and results of each proposal, and

declare whether the proposal is passed based on the voting results.

Before the result of voting is officially announced, the companies, vote-counters, scrutineers, principal shareholders, internet service providers and other relevant parties involved in the shareholders' general meetings convened on the ground, online or by other means shall be responsible for keeping secret of the voting condition of parties concerned.

**Article 107** Shareholders present at shareholders' general meetings shall give one of the following opinions towards the proposals put to vote: agreed, disagreed or abstained, except for the securities registration and settlement institutions which act as the nominee holders of the shares under SH-HK stock connect, and declare themselves pursuant to the representations of the beneficial owners thereof.

If the votes are left blank, wrongly filled or illegible or is not cast, the voters thereof shall be deemed to relinquish the right to vote. The result of voting by the shares held thereby shall be regarded as “abstained”.

**Article 108** If the compere of the meeting has any doubt as to the results of a resolution put to the vote, he may personally count the votes. If the compere of the meeting does not personally count the votes, any shareholder who is present in person or by proxy and who objects to the results announced by the compere of the meeting may demand a count of vote immediately after the announcement of results, in which case, the compere of the meeting shall personally count the votes immediately.

**Article 109** If a count of votes is carried out at a shareholders' general meeting, the results of the count shall be entered in the minutes of the meeting.

Minutes of shareholders' general meetings, together with the attendance book signed by the shareholders present at each meeting and the instruments appointing the proxies present at each meeting, shall be kept at the legal address of the Company.

**Article 110** Shareholders may, during the business hours of the Company, inspect without charges copies of the minutes of shareholders' general meetings. If any shareholder requests from the Company a copy of the minutes of any meeting, the Company shall send a copy to him by post within 7 days after payment by that shareholder of reasonable copying charges.

**Article 111** Conveners shall ensure that the contents of minutes of meetings are truthful, accurate and complete. Directors, company secretary, conveners or the agent thereof, and the chairperson of the meetings attending or present at the meetings shall sign on the minutes of meetings. The minutes of meetings shall be preserved along with the register of shareholders present, power of attorneys for proxy attendance, and valid materials of the voting conditions online or by other means for a term of not less than 10 years.

- Article 112** Conveners shall ensure the shareholders' general meetings are held in continuity until a final resolution is made. If the shareholders' general meetings are suspended or fail to make a resolution due to force majeure or for other special reasons, necessary measures shall be taken to resume as soon as possible or to directly terminate the aforesaid meetings with announcement timely made. In the meantime, conveners shall report to the organ appointed by the China Securities Regulatory Commission and the stock exchange of the place where the Company is located.
- Article 113** The resolutions of shareholders' meetings shall be announced in a timely manner, specifying the number of shareholders or agents present at the meetings, the total number of shares thereby held carrying the right to vote and the percentage thereof within the total shares carrying the right to vote of the Company, the means of voting, the result of voting for each proposal, and detailed information of each adopted proposal, among which the shareholders holding domestic-funded shares and shareholders holding domestically listed foreign-funded shares present at the meetings and the voting conditions thereof shall be calculated respectively and announced.
- Article 114** Proposals that are not adopted or resolution of the previous shareholders' general meeting that is altered in current shareholders' general meeting shall be specially reminded within the announcement of the resolution of the shareholders' general meetings.
- Article 115** If the shareholders' general meeting adopts proposals in connection with the election of directors, the time of the newly elected directors taking office is the date on which relevant resolution is passed by the shareholders' general meeting.
- Article 116** If the shareholders' general meeting adopts proposals in connection with the cash dividend, allotment or capitalization of common reserves, the Company shall implement specific plans within 2 months of the end of the shareholders' general meeting.

## **CHAPTER 9 BOARD OF DIRECTORS**

- Article 117** The Company shall establish a board of directors. The board of directors consists of 9 directors, of which 4 shall be independent non-executive directors, and there must be at least one employee representative director. The board of directors shall have a chairman.
- Article 118** The employee representatives in the board of directors are democratically elected by the Company's employees through the employee representative assembly, employee assembly, or other forms, and do not need to be submitted to the shareholders' meeting for deliberation; other directors shall be elected or replaced by the shareholders' general meeting and may be dismissed from his/her position by a shareholders' general meeting prior to the expiry of his/her term of office, the dismissal shall take effect on the date of the resolution. The

term of office for directors is 3 years. Upon the expiry of his term of office, a director may be re-elected to serve consecutive terms. If a director is dismissed before the expiration of their term without justifiable reasons, the director may demand compensation from the Company.

Notice of an intention to nominate a person for election as a director and a notice in writing by that person of his acceptance of such nominations shall be given to the Company at least 7 days before the date on which the general meeting is convened.

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

The chairman shall be appointed and removed by a majority of the directors. The chairman shall serve a term of 3 years from the respective dates of their election and may be re-elected to serve consecutive terms upon the expiry of their terms of office.

Subject to compliance with the relevant laws and administrative regulations, a shareholders' general meeting may by way of an ordinary resolution remove any director before the expiry of his term of office (but without prejudice to any claim for compensation pursuant to any contract).

A director may concurrently hold the position of general manager or other management positions, provided that the directors holding position of general manager or other management positions and directors acted by representatives of employees shall not amount to over 1/2 of the total directors of the Company.

A director is not required to hold shares in the Company.

**Article 118(a)** A list of candidates to be appointed as directors of the Company shall be submitted to the shareholders' at a shareholders' general meeting in the form of motion for approval.

Candidates for independent directors of the Company shall be nominated by the Company's board of directors or shareholders who individually or jointly hold 1% or more of the Company's voting shares and such candidates shall be considered for election by the shareholders at a shareholders' general meeting.

Candidates other than those nominated as independent directors shall be nominated by the board of directors or shareholders who individually or jointly hold 3% or more of the Company's voting shares and shall be considered for election elected by the shareholders at a shareholders' general meeting.

**Article 118(b)** Independent directors shall be elected in the following manner:-

(1) the nominator of a candidate for independent director shall seek the consent of the nominee, review and consider the occupation, academic qualifications, rank and detailed working experience including all part-time jobs of the

nominee and shall obtain from the nominee written evidence of the same for the Company's consideration before making the nomination. The candidate shall provide written confirmation to the Company agreeing to be nominated, and shall provide an undertaking in relation to the truthfulness and completeness of his particulars disclosed and shall guarantee the performance of a director's duties after being elected.

(2) the nominator of an independent director shall give an opinion in respect of the qualifications and independence of the nominee to act as an independent director. The nominee shall make an open announcement as to the absence of any relation between the Company and him or her which would affect his independent and objective judgment.

(3) if the nomination of candidates for independent directors is made before the Company's convening of a board meeting, the written proofs of the nominee referred to in sub-paragraphs (1) and (2) above shall be disclosed together with the board resolution.

(4) If the shareholders who individually or jointly hold 1% or more of the Company's voting shares puts forward a provisional motion in a general meeting of the Company for election of independent directors, a written notice stating their intention to nominate a candidate for independent directors and the nominee's consent to be nominated together with the written proofs and undertaking of the nominee referred to in sub-paragraphs (1) and (2) above shall be delivered to the Company not less than seven (7) days before the general meeting, and the period granted by the Company for lodging the above notice and documents by the relevant nominator (such period shall commence from the date after the issue of the notice of the general meeting) shall not be less than seven (7) days.

(5) Before a shareholders' general meeting for election of independent directors is convened, the Company shall submit the relevant information of all nominees to the securities regulatory authority of the State Council, the organ appointed by the securities regulatory authority of the State Council in the place of residence of the Company, and to the stock exchange on which the Company's shares are listed. The written opinions of the board of directors shall also be submitted where the Company's board has any dispute as to the particulars of the nominee and that the nominee may not be included as a candidate for independent directors. When convening a general meeting to elect independent directors, the Company's board shall specify if the securities regulatory authority of the State Council has any dispute as to the suitability of candidates for independent directors.

**Article 118(c)** Non-independent directors shall be elected in the following manner:-

(1) the nominator of a candidate for non-independent director shall seek the consent of the nominee, review and consider the occupation, academic qualifications, rank and detailed working experience including all part-time

jobs of the nominee and provide written proofs of the same to the Company before making the nomination. The candidate shall provide written confirmation to the Company agreeing to be nominated, and shall provide an undertaking in relation to the truthfulness and completeness of his particulars disclosed and guaranteeing the performance of a director's duties after being elected.

- (2) If the nomination of candidates for non-independent directors is made before the Company's convening of a board meeting, the written proofs of the nominee referred to in sub-paragraph (1) above shall be disclosed together with the board resolution.
- (3) If the shareholders who individually or jointly hold 3% or more of the Company's voting shares puts forward a provisional motion at a general meeting of the Company for election of non-independent directors, a written notice stating their intention to nominate a candidate for directors and the nominee's consent to be nominated together with the written proofs and undertaking of the nominee referred to in sub-paragraph (1) above shall be delivered to the Company not less than seven (7) days before the general meeting, and the period granted by the Company for lodging the above notice and documents by the relevant nominator (such period shall commence from the date after the issue of the notice of the general meeting) shall not be less than seven (7) days.

**Article 118(d)** Independent directors should conscientiously fulfill their duties in accordance with laws, administrative regulations, the China Securities Regulatory Commission, stock exchanges, and the provisions of these Articles of Association, play a role in participating in decision-making, supervising and balancing, and providing professional consulting in the board of directors, safeguard the overall interests of the Company, and protect the legitimate rights and interests of small and medium-sized shareholders. The Company should establish the 'Independent Director Work System', which clarifies the requirements for independent directors' independence, scope of responsibilities, and special meeting mechanisms for independent directors.

The following basic requirements are applicable in order to be an independent director:

- (1) qualified to be a director of a listed company under the PRC and Hong Kong laws, regulations and other relevant provisions;
- (2) have the independence required by these Articles of Association;
- (3) have basic knowledge of the operation of a listed company, familiar with the relevant laws, administrative rules, regulations and rules;
- (4) have 5 years or more of legal or financial experience or other experience in performing the duties of an independent director;

- (5) having good personal ethics and no major dishonesty or other negative records;
- (6) other conditions stipulated by laws, administrative regulations, regulations of the China Securities Regulatory Commission, business rules of securities exchanges, and this Articles of Association.

**Article 118(e)** If the controlling shareholders of the Company control 30% or more of the Company's shares, the cumulative voting system shall be adopted when voting on the election of directors in a shareholders' general meeting, that is, in electing two or more directors in a shareholders' general meeting, the number of votes attached to each share held by a participating shareholder shall be equal to the total number of directors to be elected, in which case the total number of votes the shareholder may have when voting for directors could be determined by multiplying the number of shares by the number of directors to be elected. The shareholders could cast his votes for one candidate or for several candidates. Independent directors and non-independent directors shall be voted respectively. Main details of the cumulative voting system are as follows:

- (1) Where the number of directors to be elected is more than two, the cumulative voting system must be adopted.
- (2) Where cumulative voting system is adopted, each of the shares held by a shareholder shall carry the same number of votes as the number of directors to be elected.
- (3) The notice of a shareholders' general meeting shall notify the shareholders that a cumulative voting system will be adopted for the election of directors. The conveners of the shareholders' general meeting shall prepare ballots suitable for cumulative voting, and shall give explanations in writing regarding the cumulative voting system, the completion of the ballots and the methods of counting the votes.
- (4) In casting his votes for the director candidates at a shareholders' general meeting, a shareholder may exercise his voting rights by spreading votes evenly and cast for each of the candidates the number of votes corresponding to the number of shares he holds; or he may focus his votes on one candidate and cast for a particular candidate the total number of votes carried by all of his shares while the number of voting rights carried by each of his shares is the same as the number of directors to be elected; or he may spread his votes over several candidates and cast for each of them part of the total number of votes carried by the shares he holds while the number of voting rights carried by each of his shares is the same as the number of directors to be elected.
- (5) Upon the exercise of his voting rights by focusing his votes on one or several of the candidates while the number of voting rights carried by each of his shares is the same as the number of directors to be elected, a

shareholder shall not have any right to vote for any other candidates.

- (6) Where the total number of votes cast by a shareholder for one or several of the candidates is in excess of the number of votes carried by the total number of shares held by him, the votes cast by the shareholder shall be invalid, and the shareholder shall be deemed to have waived his voting rights. Where the total number of votes cast for one or several candidates by a shareholder is less than the number of votes carried by the total number of shares held by such a shareholder, the votes cast by the shareholder shall be valid, and the voting rights attached to the shortfall between the votes actually cast and the votes which the shareholder is entitled to cast shall be deemed to have been waived by the shareholder.
- (7) Where the number of approval votes received by a director candidate exceeds one-half of the total voting rights (to be calculated according to the total number of shares if the cumulative voting is not adopted) represented by the shareholders present at the shareholders' general meeting and the approval votes exceeds the objection votes, the candidate shall be the elected director candidate. If the number of the elected director candidates exceeds the total number of directors to be elected, those candidates who receive the largest number of approval votes shall be elected as directors; if the number of directors elected at a shareholders' general meeting is less than the number of directors to be elected, a new round of voting shall be carried out for the purpose of filling such directorship vacancies, until all the directors to be elected are validly elected.
- (8) Where a new round of voting is carried out according to the provisions of paragraph (7) of this Article at the shareholders' general meeting, the number of votes casted by the shareholders in the cumulative voting shall be re-counted according to the number of directors to be elected in the new round of voting.

**Article 119** If a director has failed to attend board meetings in person for two consecutive times nor committed another director to attend the board meetings on his behalf, he shall be deemed to be unable to perform his duties. The board of directors shall propose the aforesaid director to be dismissed and replaced to the shareholders' general meetings.

**Article 120** Directors may submit their resignation before the expiry of their terms of office. In so resigning from the board, the directors shall submit a written resignation report to the Company. Resignation becomes effective on the date the Company receives the resignation report. The Company shall disclose relevant condition within 2 days.

If the members of the board of directors fails to reach a quorum as a result of the resignation of directors, before the re-elected directors come into office, the original directors shall perform their duties of directors in accordance with laws, administrative regulations, department rules and the Articles.

**Article 121** Directors shall comply with the provisions of laws, administrative regulations and these Articles, owe a duty of diligence to the Company, and in performing their duties, shall exercise the reasonable care that a manager would normally be expected to exercise for the best interests of the Company. Directors owe the following duties of diligence to the Company:

(1) prudently, earnestly and diligently exercise the rights conferred by the Company to ensure that the Company's business activities comply with the requirements of national laws, administrative regulations and various national economic policies, and that business activities do not exceed the business scope specified in the business license;

(2) treat all shareholders fairly;

(3) promptly understand the Company's business operation and management status;

(4) sign written confirmation opinions on the Company's regular reports, ensuring that the information disclosed by the Company is true, accurate and complete;

(5) truthfully provide relevant information and materials to the audit committee and shall not obstruct the audit committee from exercising its functions and powers;

(6) other duties of diligence as stipulated by laws, administrative regulations, departmental rules and these Articles.

The provisions on the duty of diligence in sub-paragraphs (4), (5) and (6) of the preceding paragraph shall also apply to the general manager and other senior managers.

**Article 122** Without legitimate authorization specified in the Articles or made by the board of directors, no directors shall act on behalf of the Company or the board of directors in his own name. Where a director act in his own name, and a third parties may reasonably believe that the aforesaid director is acting on behalf of the Company or the board of directors, the aforesaid director shall declare in advance his standpoint and identity.

**Article 123** If a director, in performing their duties for the Company, causes damage to others, the Company shall bear the liability for compensation; if the director has intent or gross negligence, they shall also bear the liability for compensation.

If a director, in performing their duties for the Company, violates the provisions of laws, administrative regulations, departmental rules or these Articles and causes losses to the Company, they shall bear the liability for compensation.

The provisions of this Article shall also apply to senior managers.

**Article 124** When making decisions on such significant matters as direction of reform and development, key objectives, and priority operational arrangements of the

Company, the board of directors should conduct preliminary research and discussion with the Party organization beforehand. When the board of directors appoints the management personnel of the Company, the Party organization may consider and provide its view on the candidates for management positions nominated by the board of directors or the president, or recommend candidates to the board of directors and/or the general manager.

**Article 125** The board of directors shall have the following functions and powers:-

- (1)to convene shareholders' general meetings and to report on its work at such meeting;
- (2)to implement resolutions passed at shareholders' general meetings;
- (3)to decide the Company's operational plans and investment proposals;
- (4)to formulate proposals for distributing the profits of the Company and proposals to make up any losses of the Company;
- (5)to formulate proposals for an increase or reduction of the Company's registered capital and the issue of debt securities or other securities and listing;
- (6)to prepare plans for a major acquisition, stock acquisition or the demerger, merger, dissolution and change of corporate form of the Company;
- (7)to decide matters concerning the internal management structure of the Company;
- (8)to decide to appoint or dismiss the general manager(s), board secretary, and other senior management personnel of the Company and decide on their remuneration and rewards and punishments, upon the nomination of the general manager, to decide to appoint and dismiss deputy general manager(s) and financial controller(s) of the Company, and to decide matters concerning the remuneration and rewards and punishments of such officers;
- (9)to determine the basic management system;
- (10)to formulate proposals for amendments to these Articles;
- (11) to decide on the Company's external investments, acquisition and sale of assets, asset mortgages, external guarantees, entrusted wealth management, related party transactions, external donations, and other matters within the scope authorized by the shareholders' meeting;
- (12)To determine one single external guarantee at the amount of 10% or less than 10% of the latest audited consolidated net assets of the Company prepared in accordance with PRC accounting standards;
- (13)to establish special committees of directors and to appoint and remove the relevant persons responsible;
- (14)to issue new shares according to the authorization decision of the

shareholders' meeting or these Articles;

(15) to manage the Company's information disclosure matters;

(16) to propose to the shareholders' meeting to hire or replace the accounting firm responsible for auditing the Company;

(17) to listen to the work report of the Company's general manager and inspect their work; and

(18) any other functions and powers conferred by laws, administrative regulations, departmental rules, shareholders' general meetings and these Articles.

Other than the board of directors' resolutions in respect of the matters specified in sub-paragraph (5), (6), (10), (12) and (14) of this Article which shall be passed by the affirmative vote of more than two-thirds of all the directors, the board of directors' resolution in respect of all other matters may be passed by the affirmative vote of a majority of the directors.

**Article 126** The board of directors of the Company shall establish strategic development committee, audit committee, remuneration and assessment committee and nomination committee. The above mentioned special committees under the board of directors shall be accountable to the board of directors and perform the duties as granted by these Articles and authorisation from the board of directors, and their proposals shall be submitted to the board of directors for consideration and approval. All members of the special committees under the board of directors shall be directors, of which independent directors shall be the majority in audit committee, nomination committee and remuneration and assessment committee and shall act as their conveners. The convener of the audit committee shall be an accounting professional. The board of directors is responsible for formulating the working procedures of the special committees and regulating their operation.

**Article 127** The Strategic Development Committee is responsible for the following:

- (1) organizing and carrying out research on the Company's major strategic issues, and providing advice for the board of directors in terms of strategies regarding investment, development as well as marketing and other issues;
- (2) organizing and coordinating the preparation of the Company's medium- and long-term development master plan and submitting it to the board of directors for study and decision;
- (3) researching and demonstrating the annual investment plans drawn up by the Company's business divisions before they are scrutinized by the board of directors, so as to provide reference opinions for the board of directors' formal consideration;
- (4) making researches and recommendations on major capital operations, asset management projects and investment and financing cases which shall be

- subject to the Articles of Association to be approved by the board of directors;
- (5) conducting researches and making recommendations on other material issues affecting the development of the Company;
  - (6) investigating and analyzing the implementation of significant strategic issues and make recommendations to the board of directors for improvements and adjustments;
  - (7) any other matters authorized by the board of directors.

**Article 128** The Audit Committee exercises the powers of the supervisory board as stipulated in the Company Law, and its members are directors who do not hold senior management positions in the Company, with more than half of them being independent directors. Accounting professionals among independent directors shall serve as the chairman, and employee representatives among board members can become members of the Audit Committee.

The Audit Committee is responsible for the following:

- (1) monitoring the integrity, accuracy and transparency of the Company's financial statements and annual reports and accounts and half-year report, reviewing significant financial reporting judgments contained in them, and reviewing whether the representations made in the directors' report are appropriate;
- (2) oversight of the Company's financial reporting system, risk management and internal control systems;
- (3) overseeing the issuer's relations with the external auditors;
- (4) making recommendations for the appointment and dismissal of the chief financial officer of the Company.
- (5) making changes to accounting policies, estimates, or significant accounting errors due to reasons other than changes in accounting standards; and
- (6) other matters stipulated by laws, administrative regulations, regulations of the China Securities Regulatory Commission, and these Articles of Association.

**Article 129** The Nomination Committee is responsible for the following:

- (1) formulating the policy for the nomination of Directors or Senior Officers and the standard for selection of such individuals;
- (2) preliminarily selecting Directors and Senior Officers and submitting the nomination proposals to the Board;
- (3) reviewing the structure, size and composition (including the skills, knowledge and experience) of members of the Board on a regular basis and making recommendations to the Board regarding any proposed changes;
- (4) assessing the independence of independent non-executive directors; and

(5) making recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors or Senior Officers.

**Article 130** The Remuneration and Appraisal Committee is responsible for the following:

- (1) formulating the remuneration policy of Directors and Senior Officers of the Company;
- (2) determining the standard of appraisal of Directors and Senior Officers, assessing the performance of Directors and Senior Officers during the year;
- (3) approving the terms of their service contracts and remuneration packages and submitting the same to the Board for approval;and
- (4) other matters stipulated by laws, administrative regulations, regulations of the China Securities Regulatory Commission, and these Articles of Association.

**Article 131** The Audit Committee is responsible for reviewing the company's financial information and its disclosure, supervising and evaluating internal and external audit work and internal controls. The following matters shall be submitted to the board of directors for review after being passed by more than half of the members of the Audit Committee:

- (1) employment and dismissal of the accounting firm(s) for auditing of the Company;
- (2) employment and dismissal of financial controller(s);
- (3) disclosure of financial information and internal control evaluation reports in financial accounting reports and periodic reports;
- (4) changes in accounting policies, estimates, or significant accounting errors due to reasons other than changes in accounting standards;and
- (5) other matters as stipulated by laws, administrative regulations, regulations of the China Securities Regulatory Commission, and these Articles of Association.

**Article 132** The Audit Committee shall hold at least one meeting per quarter. An interim meeting may be convened when proposed by two or more members, or when the chairman deems it necessary. A meeting of the Audit Committee may be held only if more than two-thirds of its members are present.

Resolutions made by the Audit Committee shall be adopted by a majority vote of its members.

Voting on resolutions of the Audit Committee shall follow the principle of one person, one vote.

Minutes of the Audit Committee's resolutions shall be prepared in accordance with regulations, and the members of the Audit Committee attending the meeting shall sign the minutes.

The working rules of the Audit Committee shall be formulated by the board of directors.

**Article 133** The board of directors shall explain to the shareholders in response to the non-standard audit opinion issued by registered accountants on the Company's financial statements.

**Article 134** The board of directors shall formulate the rules of procedures for the board meetings to ensure that the board of directors implements the resolutions of shareholders' general meetings, improves its operating efficiency and guarantees a scientific decision-making.

**Article 135** When the board of directors is considering the disposal of fixed assets of the Company, it must obtain the approval of shareholders in general meeting, prior to disposing or agreeing to dispose of those fixed assets if the aggregate of the expected value of the fixed assets intended to be disposed of and the total consideration received by the Company for all (if any) disposals of fixed assets which took place within the period of four months immediately preceding the proposed disposal, exceed 33 percent of the value of the Company's fixed assets as shown in the last balance sheet placed before shareholders in general meeting.

For the purpose of this Article, a disposal of fixed assets includes an act involving the transfer of an interest in fixed assets but does not include the provision of security in the form of fixed assets under a guarantee.

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

**Article 135(a)** The Board of Directors of the Company be authorised to have a discretion to make any investments whatsoever without prior approval from the shareholders provided that the aggregate amount of such investments does not exceed 10 percent of the total asset value of the Company as specified in the latest audited financial report subject to all applicable laws, rules and regulations.

**Article 135(b)** The Company shall not provide any guarantees for its shareholders, controlling subsidiaries of its shareholders, subsidiary enterprises of shareholders, the related parties in which the Company holds shares less than 50% of the total equity or personal liability and shall not directly or indirectly provide liability guarantee for debtors with an asset to liability ratio exceeding 70%. If the Company provides guarantees to others, the guaranteed person shall provide a counter-guarantee to the Company or take other necessary risk

preventive measures. The total amount of external guarantees of the Company shall not exceed 50% of the net assets stated in the audited consolidating accounting statements of the latest accounting year of the Company prepared in accordance with PRC accounting standards.

**Article 136** The chairman of the board of directors shall have the following functions and powers:-

- (1) to chair shareholders' general meetings and to convene and chair meetings of the board of directors;
- (2) to supervise the implementation of board resolutions;
- (3) to sign certificates of securities issued by the Company; and
- (4) other functions and powers conferred by the board of directors.

**Article 137** Board meetings shall be held at least four times every year and shall be convened by the chairman. An extraordinary board meeting may be convened upon a request by Shareholders representing more than one tenth of the voting rights, one-third or more of the directors or the Audit Committee.

**Article 138** (1) Meetings of the board directors shall be held at least four times each year on a regular basis and shall be convened by the chairman who shall require the board secretary to notify all directors at least 14 days in advance before the meeting, and to notify all directors of the time and place of the proposed board meeting by phone, email or by hand.

(2) In the event of a particularly emergency which requires an extraordinary board meeting to be convened, the chairman shall require the Company secretary to notify all directors of the time, place and method of the proposed extraordinary board meeting by phone, email or by hand 2 days before the meeting; for non-urgent matters requiring the convening of an extraordinary board meeting, all directors shall be notified of the time, place and method of the extraordinary board meeting five days before it is held.

(3) Notices of board meetings shall be in the Chinese language, although an English translation may be attached if necessary, and shall contain the agenda of the meeting and the matters to be discussed at the meeting.

(4) A director who is present at a board meeting, and who did not raise any objections (both before and immediately upon his arrival at the meeting) regarding his failure to receive notice of the meeting shall be deemed to have been given notice of the meeting.

(5) Two or more than two independent directors who consider the documents of the meeting to be incomplete or the basis of support to be inadequate may jointly propose to the board of directors in writing to postpone the board meeting or the review of the matter. The board of directors should accept the proposal and the Company shall disclose relevant information promptly.

**Article 139** A meeting of the board of directors shall only be held if a majority of the directors are present. When the board of directors, in accordance with the provisions in these Articles, pass any resolutions with regard to the repurchase of the Company's shares under the circumstances of applying shares for the purpose of employee stock ownership plan or equity-based incentives, converting the shares into corporate bonds issued by listed company/companies that could be converted into shares, and/or, where it is necessary, maintaining the Company's value and shareholders' rights, more than two thirds of the directors shall attend the board meeting.

Each director shall have one vote. Resolutions of the board of directors are required to be passed by a majority of the directors.

**Article 140** If a director is association relationship with the enterprises or individuals involved in a resolution to be made at a board meeting, the director shall promptly report in writing to the board of directors. Directors with related relationships shall not vote on the aforesaid resolution, or vote on behalf of other directors. The aforesaid board meeting may be held with the attendance of over half of the directors without association relationship. Resolutions made by the board meeting shall be adopted by over half of the directors without association relationship. If the number of the directors without association relationship attending the board meeting is below three, the matter shall be submitted to the shareholders' general meeting for deliberation.

**Article 140(a)** Subject to such exceptions as may be specified by the overseas stock exchanges on which the Company's shares are listed, a director shall not vote on any board resolution approving any contract or arrangement or any other proposal in which he or his associates has a material interest nor shall be counted in the quorum present at the meeting.

**Article 141** A director may participate in a board meeting (including extraordinary board meetings) by means of telephone or other telecommunication devices. Provided that such telecommunication devices can enable all persons participating in the meeting to hear the others clearly and to communicate with one another, that director participating in the aforesaid manner shall be deemed to have attended that meeting in person.

**Article 142** All directors shall attend board meetings in person. Any director who is unable to attend a meeting may appoint in writing another director to attend and vote at the meeting on his behalf. The instrument of appointment shall set out clearly the name of agent, the matters authorized, the scope of the authority and the term of authority, and shall be affixed with the signature or seal of the principal.

The appointed representative shall only exercise those functions and powers of the appointing director within the scope of his authority. Independent directors shall not appoint non-independent directors to vote for and on their behalf. If a director fails to attend a meeting of the board of directors and does

not appoint a representative to attend and vote on his behalf, he shall be deemed to have waived his right to vote at that meeting.

**Article 143** All reasonable expenses incurred by the directors in attending board meetings shall be borne by the Company. These expenses may include transportation fees between the location of the director and the venue of meeting (if the meeting is taking place at a venue different from the location of the director), charges for accommodation and meals, rental for the venue of the board meeting and local transportation fees.

**Article 144** The board of directors shall ensure that minutes are kept of matters considered and decided at the meeting. Minutes of the board meetings shall be true, accurate and complete.

The minutes shall be signed by all directors, secretary of board of directors attending the meeting and the person who recorded the minutes. Directors shall take responsibility for all decisions made by the board of directors. If a decision made by the board of directors results in a contravention of any law(s), administrative regulation(s) or these Articles, thereby causing serious loss(es) to the Company, all directors who participated in such resolutions shall compensate the Company for the said loss(es), except where it is proven that a director made clear his objection to the decision at the time when the vote was taken and a record of that objection was entered in the minutes of the meeting, that director shall be relieved of his liability.

**Article 145** The minutes of board meetings shall including the following contents:

(1)Date and venue of the meeting convened and names of the conveners;

(2)Names of directors attending the meetings and directors (agents) appointed by others to attend the board meetings;

(3)Meeting agenda;

(4)Essentials of speeches given by the directors;

(5)Voting method and result of voting for each proposal (Result of voting shall clearly set out the number of votes of “agreed” “disagreed” and “abstained”).

Minutes of board meetings shall be preserved as company archive for a term of not less than 10 years.

**Article 146** Written resolutions signed separately by all directors shall be valid and shall take effect as if it had been passed at a board meeting duly convened. Such written resolutions may consist of several copies of the same document, each copy being signed by one or more directors. A resolution signed by a director and sent to the Company by telegram, telex, post, facsimile or personal delivery shall be deemed to be a document signed by him in person for the purpose of this Article.

**Article 147** Unless otherwise decided by the board of directors, a manager who is not a

director may attend board meetings and is entitled to receive notice of such meetings and any other relevant documents. However, unless the manager is also a director, he shall not have the right to vote at board meetings.

## **CHAPTER 10 COMPANY SECRETARY TO THE BOARD OF DIRECTORS**

**Article 148** The Company shall appoint a company secretary. The company secretary shall be a senior officer of the Company.

**Article 149** The directors shall appoint a natural person who has the requisite professional knowledge and experience. The main responsibilities of the company secretary are:

(1) to ensure that the constitutional documentation and records of the Company are complete;

(2) to ensure that the Company prepares and submits all reports and documents required to the relevant authorities in accordance with the law;

(3) to ensure the register of shareholders is properly maintained and that persons entitled to records and documents of the Company are promptly furnished with the relevant records and documents.

**Article 150** Directors or other senior officers of the Company may be appointed to act as the company secretary. An accountant of the accounting firm employed by the Company shall not be appointed to act as the company secretary.

Where a director is also the company secretary and an act is required to be done by a director and the company secretary separately, that director/company secretary may not perform the act in his dual capacity.

## **CHAPTER 11 COMPANY GENERAL MANAGER**

**Article 151** The Company shall have a manager, who shall be decided to be appointed and dismissed by the board of directors.

Persons with other positions at units of the dominant shareholders or beneficial owner of the Company other than directors shall not act as a member of senior management of the Company. Senior management of the Company receive salaries only from the Company and not from the controlling shareholder.

The term of office of a general manager is 3 years. Upon the expiry of his term of office, a general manager may be re-appointed to serve consecutive terms.

**Article 152** The general manager shall be accountable to the board of directors and shall have the following functions and powers:-

- (1) to be in charge of production, operation and management of the Company and to organise the implementation of board resolutions, and report work to the board of directors;
- (2) to organize the implementation of the Company's annual business plans and investment plans;
- (3) to formulate plans for the internal management structure of the Company;
- (4) to formulate the basic management system of the Company;
- (5) to establish the basic rules and regulations of the Company;
- (6) to recommend the appointment or dismissal of deputy manager(s) and financial controller(s) of the Company;
- (7) to decide to appoint and dismiss personnel responsible for management other than those required to be appointed or dismissed by the board of directors;
- (8) any other functions and powers conferred by these Articles and the board of directors.

**Article 153** The manager of the Company shall attend board meetings. A manager who is not a director is not entitled to vote at board meeting.

**Article 154** The general manager shall formulate detailed working rules for managers and implement the aforesaid rules after they were submitted to the board of directors and obtained its approval.

The detailed working rules for general managers shall including the following contents:

- (1) The conditions and procedures of convening a general managers' meeting, and the persons attending;
- (2) Respective duties of and divisions of work among the general manager and other senior management officers;
- (3) The scope of authority to utilize company funds or assets and to execute major contracts, and the reporting system to the board of directors; and
- (4) Other matters deemed necessary by the board of directors.

**Article 155** The general manager shall, in exercising his powers, comply with the laws, administrative regulations and these Articles, and shall act in good faith and diligently.

## **CHAPTER 12 QUALIFICATIONS AND OBLIGATIONS OF DIRECTORS, MANAGERS AND OTHER SENIOR OFFICERS OF THE COMPANY**

**Article 156** A person shall be disqualified from being a director, general manager or other

senior officer of the Company if he fails within any one of the following categories:-

- (1) a person with no civil capacity or with restricted civil capacity;
- (2) a person who committed and was sentenced for the offences of corruption, bribery, infringement of property, misappropriation of assets or disrupting social and economic order, or a person who deprived of his political rights for having committed an offence, and a period of 5 years has not lapsed since the date of completion of the term of his sentence; Those who have been granted probation have not exceeded two years from the date of expiration of the probation period;
- (3) a person who was a director or factory controller or manager of a company or enterprise which became insolvent or was liquidated, and who was found personally liable for the insolvency of that company or enterprise, and a period of 3 years has not yet lapsed since the date of completion of the insolvency and liquidation of that company or enterprise;
- (4) a person who was a legal representative of a company or enterprise, which had its business license revoked or ordered to close due to a contravention of the law, and who was found personally liable, and a period of 3 years has not yet lapsed since the company or enterprise was revoked of its business license and ordered to close;
- (5) individuals are listed as dishonest persons subject to enforcement by the people's court due to their large amount of debt that has not been repaid upon maturity;
- (6) a person who, is under investigation by judicial/legal authorities due to contravention of criminal law and the case has not yet been resolved;
- (7) a person who is not eligible to act as a leader of an enterprise according to the PRC law and administrative regulations;
- (8) a person who is not a natural person;
- (9) a person who has been convicted by the relevant authorities for having contravened the provisions of the relevant securities laws and regulations, or offences involving fraud or acts of bad faith and a period of 5 years from the date of his conviction has not lapsed.

If the provisions of the preceding paragraph are violated when electing and hiring directors or appointing senior management officers, such election, appointment or hiring shall be void and ineffective.

Where a circumstance prescribed in the first paragraph of these Articles occurs during the term of office of directors and senior management officers, the Company shall dismiss them from their positions and suspend their performance of their duties.

- Article 157** The validity of an act by a director or general manager or other senior officer on behalf of the Company vis-a-vis a bona fide third party shall not be affected by any irregularity or defect in his employment, election or his qualifications.
- Article 158** Each director, general manager and other senior officer has the duty, in the exercise of his powers and the discharge of his obligations, to exercise such care, diligence and skill that a reasonable and prudent person would exercise in similar circumstances.
- Article 159** Each director, general manager and other senior officer has, in the performance of his duties, the duty to observe the principles of good faith and the duty not to place himself in a position where his duties and his interests may conflict. This includes (but is not limited to) the duty of loyalty:
- (1) to act honestly in the best interests of the Company;
  - (2) to exercise his powers within the scope of his authority and not act in excess of his powers;
  - (3) to personally exercise the discretion vested in him and not to allow himself to act under the direction of another person and , except where permitted by law or administrative regulations, or with the informed consent of shareholders in general meeting, not to delegate the exercise of such discretion to another person;
  - (4) to treat shareholders of the same class equally and to treat shareholders of different classes fairly;
  - (5) not to directly or indirectly enter into any contract, transaction or arrangement with the Company, except in accordance with these Articles or with the informed consent of the board of directors or shareholders in general meeting;
  - (6) not to use the Company's assets for his own benefit in any manner without the informed consent of shareholders in general meeting;
  - (7) not to abuse his position by accepting bribes or other unlawful income, and not to misappropriate in any manner the Company's assets including (without limitation) opportunities beneficial to the Company;
  - (8) not to accept any commission in connection with any transaction in which the Company is involved without the informed consent of shareholders in general meetings;
  - (9) to comply with these Articles, to perform honestly his duties, to protect the interests of the Company and to refrain from using his position and powers as an officer of the Company to make personal gains;
  - (10) not to compete with the Company in any manner without the informed consent of shareholders in general meeting;

- (11) not to embezzle Company property, misappropriate the Company's funds or to advance the Company's funds to any other person, not to open any bank account in his own name or any other person's name to deposit any of the Company's assets; not to use the Company's assets to provide guarantee(s) for the debt(s) of any shareholder of the Company or any other individuals;
- (12) not to take into their own possession commissions from others' transactions with the Company;
- (13) not to use their affiliated relationships to damage the Company's interests;
- (14) not to take advantage of their positional convenience to seek business opportunities belonging to the Company for themselves or others, except where they report to the board of directors or the shareholders' meeting and obtain approval through a resolution of the shareholders' meeting, or where the Company is unable to utilize such business opportunities in accordance with the provisions of laws, administrative regulations or these Articles;
- (15) without the informed consent of shareholders in general meeting, not to disclose any confidential information of the Company acquired by him while in office; not to use such information other than in the interests of the Company, save that he may disclose such information to a court or other governmental authorities in the following circumstances:
  - (i) where such disclosure is required by law;
  - (ii) where such disclosure is required in the interests of the public;
  - (iii) where such disclosure is required in the personal interests of the directors, manager or other senior officers.
- (16) other duty of loyalty as stipulated by laws, administrative regulations, departmental rules and these Articles.

Any income derived by a director from violating the provisions of this Article shall belong to the Company; if losses are caused to the Company, the director shall be liable for compensation.

The provisions of sub-paragraphs (5) of the first paragraph of this Article shall apply to contracts or transactions entered into between the Company and the close relatives of directors and senior managers, enterprises directly or indirectly controlled by directors, senior managers or their close relatives, and related parties who have other affiliated relationships with directors and senior managers.

**Article 160** A director, general manager or other senior officer shall not direct persons connected to them ("relevant persons") to do what the director, manager or other senior officer himself is prohibited from doing. The "relevant persons" of

a director, manager or senior officer are:

- (1) the spouse or minor child of that director, general manager or other senior officer;
- (2) a person acting as a trustee for a director, general manager or other senior officer of the Company or as a trustee for a person referred to in (1) above;
- (3) a person who is partner of a director, general manager or other senior officer, or a partner of any person referred to in (1) and (2) above;
- (4) a company in which that director, general manager or other senior officer, alone or together with any person referred to in (1), (2) and (3) above, or together with other directors, general managers or officers, have de facto control; or
- (5) a director, general manager or other senior officer of a company referred to in (4) above.

**Article 161** The Company has established a management system for the resignation of directors, general managers and other senior executives, specifying safeguard measures for pursuing accountability and recovering losses regarding unfulfilled public commitments and other outstanding matters. When a director's resignation takes effect or their term of office expires, they shall complete all handover procedures with the board of directors. Their fiduciary obligations to the Company and shareholders are not automatically terminated upon the end of their term and shall remain valid for one year. Their obligation to keep the Company's trade secrets confidential shall remain valid after the end of their term until such secrets become public information. The liabilities that a director should bear for performing their duties during their term of office shall not be exempted or terminated due to their departure.

**Article 162** A director, general manager or other senior officer may be relieved of his liability for a particular breach of his duty by the informed consent of shareholders in general meeting except in the circumstances referred to in Article 53 of these Articles.

**Article 163** If a director, general manager or other senior officer has, directly or indirectly, a material interest in a contract, transaction or arrangement entered into or proposed to be entered into by the Company (other than his contract of employment), he shall declare the nature and extent of his interest to the board of directors at the earliest opportunity, whether or not the matters in question are otherwise subject to the approval of the board of directors.

Unless the director, manager or senior officer with an interest make a disclosure to the board of directors in accordance with this Article and the matter is approved by the board of directors at a meeting at which the interested director, general manager or senior officer did not vote and was not counted in the quorum, the Company may rescind that contract, transaction or arrangement

unless that contract, transaction or arrangement was entered into with a bona fide party acting in good faith and without notice of the breach of duty by that director, general manager or senior officer.

If a relevant person of a director, general manager or other senior officer, has an interest in a contract, transaction or arrangement, the director, general manager or other senior officer with whom that person is so connected shall be deemed to have an interest in that contract, transaction or arrangement.

**Article 164** If, prior to the date on which the Company first considered the question of entering into the relevant contract, transaction or arrangement, the director, general manager or other senior officer gives the board of directors a notice in writing stating that, by reason of the matters stated in the notice, he has an interest in the contract, transaction or arrangement proposed to be entered into by the Company, then that director, general manager or officer shall be deemed to have made a disclosure for the purposes of and in accordance with the preceding Article, to the extent of the matters disclosed in that notice.

**Article 165** The Company shall not in any manner pay any form of taxes for or on behalf of a director, general manager or other senior officer.

**Article 166** The Company shall not, directly or indirectly, make a loan or provide any guarantee for a loan to its director, general manager or other senior officer of the Company and its holding company; and shall not make a loan to or provide any guarantee for a loan to a relevant person of a director, general manager or other senior officer.

The prohibitions contained in this Article shall not apply to the following circumstances:-

- (i) the provision of a loan or a guarantee for a loan by the Company to a subsidiary of the Company;
- (ii) the provision by the Company to a director, general manager or other senior officer, pursuant to an employment contract approved by the shareholders' general meeting, of a loan or a guarantee for a loan or other funds to meet expenditure incurred by that director, general manager or other senior officer in the interests of the Company or for the purpose of enabling him to perform his duties for the Company;
- (iii) where the ordinary course of business of the Company includes money lending or the provision of guarantees, the Company may make a loan to or provide a guarantee for a loan to a director, general manager, or other senior officer of the Company or relevant persons with such officers, provided that the terms of the loan or guarantee for a loan is on ordinary commercial terms.

**Article 167** A loan made by the Company in breach of the previous Article shall be repaid immediately by the recipient of the loan, regardless of the terms of the loan.

**Article 168** A guarantee provided by the Company in breach of the first paragraph of Article 169 shall not be enforceable against the Company, except in the following circumstances:-

- (i) the lender was not aware of the relevant circumstances at the time the loan was advanced to a relevant person of a director, general manager or other senior officer of the Company or its holding company;
- (ii) the security provided by the Company has been lawfully sold by the lender to a bona fide purchaser.

**Article 169** The meaning of a guarantee in the foregoing Articles of this Chapter includes giving an undertaking or providing security in the form of assets belonging to the guarantor to guarantee performance of the obligations of the obligor.

**Article 170** In addition to the rights and remedies provided by law and administrative regulations, where a director, manager or other senior officer is in breach of his duties to the Company, the Company has the right to take the following measures:-

- (1) to claim damages from that director, general manager or other senior officer for losses incurred by the Company as a result of such breach;
- (2) to rescind any contract or transaction entered into by the Company with that director, general manager or other senior officer, or by the Company with a third party (where the third party knew or should have known that director, general manager or other senior officer of the Company was in breach of his duties towards the Company);
- (3) to require the director, general manager or other senior officer to surrender any benefit obtained by him as a result of his breach of duty;
- (4) to recover any monies received by the director, general manager or other senior officer which should have been received by the Company, including (without limitation) commissions;
- (5) to recover any interest accrued or which should have accrued on the monies which should have been received by the Company from the director, manager or other senior officer.

**Article 171** The Company shall enter into a contract in writing with each director in respect of remuneration for his services, with the prior sanction of the shareholders' general meeting. The aforesaid remuneration shall include:-

- (1) remuneration for his services as director, general manager or senior officer of the Company;
- (2) remuneration for his services as director, general manager or senior officer of a subsidiary of the Company;
- (3) remuneration for other services provided in connection with the management of the affairs of the Company or its subsidiaries;

(4) monies payable to the director as compensation for the loss of office or upon retirement from office.

Except pursuant to a contract as described above, a director shall not institute any proceedings against the Company for benefits due to him in respect of the matters specified above.

**Article 172** A contract of remuneration entered into between the Company and its director shall make provisions for that director to receive compensation for loss of office or upon retirement in the event of a takeover of the Company, subject to obtaining the informed approval of shareholders in general meeting. A takeover of the Company refers to any of the following circumstances:-

- (i) an offer made by any person to all shareholders of the Company; or
- (ii) an offer made by any person, with a view to the offer or becoming the controlling shareholder.

If the relevant director fails to comply with the provision of this Article, then any monies received by him shall belong to those persons who have sold their shares by reason of their acceptance of the offer made, and the expense incurred in distributing the monies pro rata amongst those persons shall be borne by him and not deducted out of the money to be distributed.

### **CHAPTER 13 FINANCIAL AND ACCOUNTING SYSTEM AND DISTRIBUTION OF PROFITS**

**Article 173** The Company shall formulate its financial accounting system in accordance with the relevant laws, administrative regulations and the principles relating to PRC accounting standards formulated by the financial authorities of the State Council.

**Article 174** The Company shall prepare a financial report at the end of every financial year and shall have it audited in accordance with law.

**Article 175** The board of directors shall place before the shareholders at every annual general meeting such financial reports as required by the relevant laws, administrative regulations or prescribed documents required by regional governments and authorities to be prepared by the Company.

**Article 176** The Company shall submit the annual report to the dispatched agencies of China Securities Regulatory Commission and the stock exchange within four (4) months commencing from the date of the end of every financial year, submit the interim report to the dispatched offices of CSRC and the stock exchange within two (2) months commencing from the date of the end of the first six (6) months of every financial year.

The above annual report and interim report shall be prepared as stipulated by relevant laws, administrative regulations and departmental rules and

regulatory rules of the place where the Company's shares are listed.

**Article 177** The financial reports of the Company shall be made available at the Company 20 days prior to the annual general meeting of the Company for inspection by shareholders. Every shareholder of the Company shall have the right to obtain a copy of the financial reports referred to in this Chapter.

**Article 178** The Company shall not keep any other books of accounts apart from those required by law. The funds of the Company shall not be deposited in any account opened in the name of an individual.

**Article 179** The Company shall extract 10% of the profits into the legal reserve fund of the Company when distributing the after-tax profits of the year. When the accumulated amount of the corporate legal reserve fund takes up more than 50% of the corporate registered capital, there shall be no need of such extraction.

In the event that the corporate legal reserve fund fails to make up for the previous annual losses, the profits of the year shall be used to make up for such losses prior to the extraction of the legal reserve fund as required in the preceding clause.

Subsequent to the extraction of the legal reserve fund from after-tax profits, it shall be permitted to extract arbitrary reserve fund from after-tax profits subject to the approval of shareholders by resolution at the general meeting of shareholders.

After the Company makes up for the losses and the reserve fund is extracted, the remaining after tax profits shall be distributed according to the proportion of shares held by shareholders, unless otherwise the Articles of Association stipulates that the profits shall not be distributed by shareholding ratio.

Provided that the general meeting of shareholders violates the Company Law and distributes the profits to shareholders, the shareholders shall return the profits obtained in violation of the clause to the Company. If losses are caused to the Company, the shareholders and responsible directors and senior management personnel shall be liable for compensation.

The profit distribution shall not involve the corporate shares held by the Company.

**Article 180** The corporate reserve fund shall be used to make up for the corporate losses, expand the corporate production and operation or increase the corporate registered capital.

To make up for the Company's losses with the provident fund, the discretionary provident fund and statutory provident fund should be used first; If it cannot be compensated, the capital reserve fund can be used according to regulations.

As the legal reserve fund is converted as corporate increased registered capital, the remaining of such reserve fund shall not be less than the 25% of the corporate registered capital prior to conversion.

**Article 181** The capital reserve fund includes the following amounts:

- (1) The premium received from the issuance of stocks exceeding their face value;
- (2) Other income included in the capital reserve fund as stipulated by the competent financial department of the State Council.

**Article 182** The Company shall implement active profit distribution policy, and its profit distribution policy shall maintain continuity and stability. The Company's profit distribution shall focus on providing investors with reasonable investment return as well as maintaining the sustainable development of the Company.

- (1) In the decision making and argumentation of profit distribution policy, the board of directors and general meetings may consider the opinions of independent directors and public investors, especially minority shareholders, by means such as phone, fax or email.
- (2) The Company may adopt to distribute profit in cash, in shares or in a combination of both cash and shares or as otherwise permitted by the laws and regulations. In the above mentioned distribution method, the Company should consider to distribute the profit in cash first. The board of directors of the Company may propose the Company to declare interim dividends according to the Company's earnings and capital requirement conditions. Unless otherwise approved by the board of directors after demonstration, for which the independent directors have issued independent opinions, the time interval between any two rounds of dividend distribution shall not be less than six months.
- (3) Cash dividends and other distributions of the domestic shares shall be paid in RMB. The company may pay dividends to overseas listed foreign shareholders in foreign currency or RMB in accordance with foreign exchange management, cross-border RMB management regulations, and securities regulatory rules of the Company's overseas listing location.
- (4) Upon the ending of an accounting year, the board of directors shall reasonably propose a profit distribution plan according to the Company's earnings, capital requirement and return to shareholder. In the argumentation of profit distribution plan, the board of directors shall have sufficient discussion with independent directors, hear the opinions of minority shareholders through multiple channels, study carefully and discuss in detail the matters concerning the Company's cash dividends distribution, including the right timing and conditions for the distribution, the lowest payout ratio and the conditions for adjustment and the

requirements for decision-making procedures. The profit distribution proposal, when being considered by the board of directors of the Company, shall be subject to the approval by the majority of all directors, the independent directors respectively. After being considered and approved by the board of directors, the profit distribution plan shall be proposed at the general meeting for shareholders' approval. For the plan of issuing stock dividends or using reserve fund to increase share capital discussed and reviewed by the general meeting of shareholders, it shall be approved by more than two-thirds of voting rights represented by the shareholders present at the meeting.

- (5) As stipulated by such related laws and regulations as the Company Law and this Articles of Association, provided that the remaining distributable profits are positive after the net profits achieved by the Company in the current year are used to make up for losses and extracted for adequate legal and arbitrary reserve fund, and the audit agency has presented a standard opinion-unreserved audit report targeted at the corporate annual financial statements (the medium-term cash dividend plan is allowed to remain to be audited), the Company shall propose the plan for cash distribution except under any special circumstance (for instance, in case of major investment projects or major cash outflow, etc.). When the Company meets the aforesaid conditions for cash dividend distribution but does not distribute cash dividends for special reasons, the board of directors shall illustrate the specific reason(s) thereof and the use of the fund so retained in a separate report and submit it to the general meeting of shareholders for discussion and review subsequent to the independent directors' stating their opinions on this issue.
- (6) The corporate board of directors shall fully consider a variety of factors, including the industrial features, its development stage, its own business mode, its profitability and the arrangement of major fund outflow, distinguish the following conditions, and release a differentiated policy of cash dividends distribution in line with the procedure stated in this Articles of Association:
1. In the event that the Company is currently in a mature development stage and arranges no major fund outflow, the proportion of distributed cash dividends in this round of profit distribution shall at least reach 80%;
  2. In the event that the Company is currently in a mature development stage and arranges some major fund outflow, the proportion of distributed cash dividends in this round of profit distribution shall at least reach 40%;
  3. In the event that the Company is currently in a developing stage and arranges some major fund outflow, the proportion of distributed cash dividends in this round of profit distribution shall at least reach 20%;

4. In the event that the current development stage of the Company is not easy to distinguish but the Company arranges some major fund outflow, the preceding term shall prevail.
- (7) In the event that there will be no material investment projects or matters involving material cash outflow, the Company shall in principle make cash dividends distribution once a year on the premise of guaranteeing the normal business operation and long term development of the Company. The profits distributed in cash annually by of the Company shall not be less than ten percent (10%) of the distributable profits achieved in the current year. If the above ratio shall not cannot be attained for any particular reason, the board of directors should make a special explanatory statement to the general meeting of the Company.
- (8) When the Company operates well, and the board of directors considers that the corporate stock price does not match the size of the corporate share capital and distributing stock dividends can benefit the interest of shareholders of the Company as a whole, a plan for stock dividend distribution can be presented in light of the above-mentioned requirements for cash dividend distribution.
- (9) In the event that adjustments are needed to be made to the Company's profit distribution policy in light of the production and operation conditions, investment planning and long term developments as well as changes in external business environment of the Company, the adjusted profit distribution policy shall comply with the relevant regulations of securities regulatory authorities. The Company should seek the opinions of the Audit Committee of the Company in advance when proposing adjustment to profit distribution policy, and submit to the general meeting of the Company after the approval of the board of directors. Any resolution regarding adjustment to the profit distribution policy proposed at a general meeting for approval shall be passed by more than two-thirds of voting rights represented by the shareholders present at the meeting.
- (10) After the general meeting passes the resolution regarding the profit distribution policy, or the board of directors of the Company formulates a specific plan based on the next year's mid-term dividend conditions and upper limit approved by the annual shareholders' meeting, the distribution task of stock dividend (or shares) must be completed within 2 months.

**Article 183** The Company shall appoint (a) receiving agent(s) on behalf of holders of overseas listed foreign shares. The receiving agents shall collect dividends and other monies payable to holders of overseas listed foreign shares on their behalf in respect of the overseas listed foreign shares held by them.

The receiving agent(s) appointed by the Company shall meet the requirements of the laws of the place where the overseas listed foreign shares are listed or other regulations of the relevant securities exchange. A receiving agent

appointed by the Company on behalf of the holders of overseas listed foreign shares listed in Hong Kong shall be a trust corporation registered under the Trustee Ordinance of Hong Kong.

**Article 184** The Company adopts the internal audit system, clarifying the leadership structure, responsibilities and authorities, personnel allocation, funding guarantee, application of audit results, and accountability for internal audit work.

The corporate internal audit system shall be implemented and fulfilled subsequent to the approval of the board of directors and disclosed to the public.

**Article 185** The Company's internal audit institution shall supervise and inspect matters such as the Company's business activities, risk management, internal control, and financial information.

**Article 186** The internal audit institution is responsible to the board of directors.

In the process of supervising and inspecting the Company's business activities, risk management, internal control, financial information, etc., the internal audit institution shall accept the supervision and guidance of the Audit Committee. If the internal audit institution discovers relevant major issues or clues, it shall immediately report directly to the Audit Committee.

**Article 187** The specific organization and implementation of the Company's internal control evaluation shall be the responsibility of the internal audit institution. The Company shall issue an annual internal control evaluation report based on the evaluation report and relevant materials issued by the internal audit institution and reviewed by the Audit Committee.

**Article 188** When the Audit Committee communicates with external auditing units such as accounting firms and state auditing institutions, the internal audit institution shall actively cooperate and provide necessary support and collaboration.

**Article 189** The Audit Committee shall participate in the assessment of the person in charge of internal audit.

## **CHAPTER 14 APPOINTMENT OF ACCOUNTANTS**

**Article 190** The Company shall appoint one accounting firm that complies with the provisions of the Securities Law of the People's Republic of China to conduct accounting statement audits, net asset verification, and other related consulting services. The employment period is one year and can be renewed.

**Article 191** The accounting firm hired by the company must be approved by the shareholders through an ordinary resolution at the annual general meeting. The term of appointment shall commence from the conclusion of the annual

general meeting at which the appointment took place and shall terminate upon the conclusion of the next annual general meeting. The appointment and dismissal of accounting firms by the Company shall be decided by the shareholders' meeting. The board of directors shall not appoint an accounting firm before the decision of the shareholders' meeting.

**Article 192** A firm of accountants appointed by the Company shall have the following rights:

- (1) to inspect at all times the books, records and certificates of the Company, and to require the directors, general managers and other senior officers of the Company to provide any necessary information and explanations;
- (2) to require the Company to take all reasonable steps to obtain from its subsidiaries such information and explanations as are necessary to enable the firm of accountants to perform its duties;
- (3) to attend shareholders' general meetings and to receive all notices of, and other information relating to, such meetings as which a shareholder of the Company is entitled to receive, and to speak at any shareholders' general meeting on any matter which are its concerns as the accountants of the Company.

**Article 193** The shareholders' general meeting may by ordinary resolution remove an appointed firm of accountants before the expiry of their term of office notwithstanding any terms contained in the contract between the Company and that firm of accountants. If the firm of accountants has right to claim its compensation against the Company for the termination of its office, that right shall not be affected by the termination.

**Article 194** The remuneration of the firm of accountants and the manner by which it is determined shall be decided by shareholders in general meeting.

**Article 195** The appointment, dismissal, or termination of employment of a firm of accountants by the Company shall be decided at shareholders' general meetings and reported to the securities regulatory authorities of the State Council.

When a resolution is proposed to be passed at a shareholders' general meeting to appoint a firm of accountants not currently in office to fill a vacancy in the position of accountants, or to reappoint a firm of accountants previously appointed by the board of directors to fill a vacancy, or to remove a firm of accountants before the expiry of its term of office, the following provisions shall apply:

The proposed resolution shall be sent, before notice of the shareholders' general meeting is given, to the firm of accountants to be appointed or removed from office, or which left office during the financial year.

Leaving office includes leaving by removal, resignation and retirement.

- (1) If the firm of accountants leaving office makes representations in writing and requests the Company to notify the shareholders of its representations, the Company shall implement the following measures (unless the representations are received too late for the following measures to be implemented) :-
  - (i) state in the notice given in connection with the resolution the fact that representations have been made by the firm of accountants leaving office; and
  - (ii) send, in accordance with these Articles, a copy of the representations as an enclosure to the notice to every shareholder entitled to receive notice of shareholders' general meetings.
- (2) If the representations of the relevant firm of accountants have not been dispatched in accordance with paragraph (2) of this Article, that firm of accountants may request that such representations be read at the shareholders' general meeting and it may make further submissions.
- (3) A firm of accountants leaving office shall be entitled to attend:-
  - (i) the shareholders' general meeting at which its term of office would otherwise have expired;
  - (ii) the shareholders' general meeting at which the proposal to fill the vacancy caused by its dismissal would be put before the shareholders;
  - (iii) the shareholders' general meeting convened as a result of its voluntary resignation.

A firm of accountants leaving office shall be entitled to receive all notices of, and other information relating to, the meetings referred to above, and to speak at any such meeting on any matter which concerns it as former accountants of the Company.

#### **Article 196**

If the Company intends to remove or not to re-appoint a firm of accountants, it shall notify that firm of accountants in advance and that firm of accountants shall have the right to make representations to the shareholders' general meeting. A firm of accountants resigning on its own initiative shall make a declaration at the shareholders' general meeting as to whether there is any misconduct in the Company.

A firm of accountants may resign from office by depositing a notice in writing at the Company's legal address. Any such notice shall take effect on the date on which it is deposited at the legal address of the Company or on which it is deposited at the legal address of the Company or on such later date as may be specified in the notice. Such notice shall contain either of the following statements:-

- (1) a statement to the effect that there are no circumstances connected with its resignation which it considers should be brought to the notice of shareholders

or creditors of the Company; or

(2) a statement of any circumstances which should be accounted for.

The Company shall, within 14 days after its receipt of the written notice referred to in the preceding paragraph, send a copy of the notice to the relevant authorities. If the notice contains a statement referred to in paragraph (2) above, a copy of that notice shall be deposited at the Company for inspection by shareholders. The Company shall also send a copy of such notice to every overseas listed foreign shareholder by prepaid post to the address of each such shareholder as recorded in the register of shareholders.

Where the notice of resignation of the firm of accountants contains a statement referring to or stating any circumstances which it should account for, it may require the board of directors to convene an extraordinary general meeting of shareholders for the purpose of giving an explanation of the circumstances referred to in the said notice.

In these Articles, any reference to "a firm of accountants" has the same meaning as a reference to "auditors".

**Article 197** The Company shall guarantee that it will provide the employed accounting firm(s) with authentic and complete accounting documents, account books, financial statements and other accounting materials without rejection, concealment or false information.

## **CHAPTER 15 MERGER AND DEMERGER OF THE COMPANY**

**Article 198** Any merger or demerger of the Company shall be carried out in accordance with a proposal which shall be prepared, and approved in accordance with the provisions of these Articles. Upon such approval, the board of directors may proceed in accordance with the relevant procedures to obtain governmental approvals. Shareholders who object to the merger or demerger of the Company are entitled to require the Company or any shareholders of the Company who agreed to the proposed merger or demerger in question to purchase their shares at a fair price. The contents of the Company's resolution to merge or demerge shall be contained in a document prepared specifically for that purpose, which shall be made available for inspection by all shareholders.

The document referred to above shall also be sent by post to all holders of overseas listed foreign shares.

**Article 199** The Company may merge either by acquisition or by the establishment of a new venture.

When the Company merges with another company in which it holds more than ninety percent of that Company's shares, approval from the shareholders'

general meetings is not required from the merged company, but it should notify other shareholders, who have the right to require the Company to purchase their equity or shares at a reasonable price.

If the payment made by the Company for a merger does not exceed ten percent of its net assets, it may not require approval from the shareholders' meeting.

If the Company merges in accordance with the provisions of the preceding two paragraphs without the approval of the shareholders' meeting, it should be approved by the board of directors.

When the Company merges, all parties to the merger shall sign a merger agreement, and a balance sheet and an inventory of the Company's assets shall be prepared. The Company shall notify its creditors within 10 days commencing from the date of the resolution which approved the merger and shall make announcements of the merger in newspapers or the National Enterprise Credit Information Publicity System within 30 days.

After the merger of the Company, the rights and liabilities of the Company and any other parties to the merger shall be assumed by the surviving company or the new venture established as a result of the merger.

**Article 200** When the Company demergers, its property shall be distributed accordingly.

When the Company demergers, all parties to the demerger shall sign a demerger agreement, and a balance sheet and an inventory of the Company's assets shall be prepared. The Company shall notify its creditors within 10 days commencing from the date of the resolution which approved the demerger and shall make announcements of the demerger in newspapers or the National Enterprise Credit Information Publicity System within 30 days thereof.

The liabilities of the Company prior to the demerger shall be assumed by the companies in existence after the demerger in accordance with the agreement reached, unless otherwise stated in any written agreement concerning debt liquidation reached with the creditor(s) prior to the demerger.

**Article 201** If the merger or demerger of the Company involves changes to the particulars of the Company, such changes shall be registered with the said authorities in accordance with the law. If the Company is dissolved, its resignation shall be cancelled in accordance with the law. If a new venture is established, its establishment shall be registered in accordance with the law.

## **CHAPTER 16 DISSOLUTION AND LIQUIDATION OF THE COMPANY**

**Article 202** If any one of the following circumstances arises, the Company shall be dissolved and liquidated in accordance with law:-

- (1) where the term of its business expires or other reason(s) for dissolution as provided in this Articles of Association occurs(occur);

- (2) where the shareholders' general meeting resolves to dissolve the Company;
- (3) where dissolution is necessary by reason of the merger or demerger of the Company;
- (4) where the Company is declared insolvent in accordance with law because it is unable to pay its debts as they fall due;
- (5) where, in accordance with law, the Company has its business license revoked or is ordered to close down by reason of its contravention of law or administrative regulations.
- (6) In the event that the Company encounters severe difficulty in operation and management, the continuous existence of the Company will cause great losses to the shareholders and there is no other way out of this problem, the shareholders representing more than ten percent (10%) of voting rights are entitled to request the People's Court for dissolution, and the People's Court dissolves the Company accordingly.

If the Company encounters the reasons for dissolution as stipulated in the preceding paragraph, it shall publicize the reasons for dissolution through the National Enterprise Credit Information Publicity System within ten days.

**Article 203** If the Company is in any of the circumstances specified in sub-paragraphs (1) and (2) of Article 202 of these Articles and has not yet distributed its property to shareholders, it may continue to exist by amending these Articles or through a resolution of the shareholders' meeting.

Any amendment to these Articles or resolution made by the shareholders' meeting in accordance with the provisions of the preceding paragraph shall be adopted by more than two-thirds of the voting rights held by the shareholders present at the shareholders' meeting.

**Article 204** If the Company is dissolved and liquidated pursuant to either of the events set out in paragraph (1) , (2), (5) and (6) of the Article 202, liquidation shall be conducted. Directors are the liquidation obligors of the Company and shall form a liquidation team to carry out liquidation within 15 days from the date of that event.

The liquidation committee is composed of personnel determined by the directors, unless otherwise provided in these Articles or otherwise selected by a resolution of the shareholders' meeting.

If the liquidation obligors fail to perform their liquidation obligations in a timely manner and cause losses to the Company or creditors, they shall be liable for compensation.

The Company shall be liquidated in accordance with the provisions of the preceding paragraph. If it fails to establish a liquidation group for liquidation

within the prescribed time or fails to liquidate after the establishment of a liquidation group, interested parties may apply to the people's court to designate relevant personnel to form a liquidation group for liquidation. The people's court shall accept the application and promptly organize a liquidation team to carry out liquidation.

If the Company is dissolved and liquidated pursuant to the event set out in paragraph (4) of the preceding Article, a liquidation committee comprising or representatives of the shareholders, the relevant government departments and professionals shall be established by the People's Court in accordance with the applicable law for the purpose of carrying out the liquidation.

If the Company is liquidated and liquidated pursuant to the event set out in paragraph (5) of the preceding Article. The department or company registration authority that makes the decision to revoke the business license, order closure or revocation may apply to the people's court to designate relevant personnel to form a liquidation team for liquidation.

**Article 205** If the board of directors decides to liquidate the Company (for reasons other than the insolvency of the Company), the board of directors shall, in the notice convening a shareholders' general meeting for this purpose, state that, after having made full investigation into the affairs of the Company, it is of the opinion that the Company will be able to pay all its debts in full within the 12 months from the date of commencement of its liquidation.

Upon the passing of a resolution by the shareholders' general meeting to liquidate the Company, the functions and powers of the board of directors of the Company shall cease immediately.

The liquidation committee shall, in accordance with the instructions of the shareholders in general meeting, make a report to the shareholders in general meeting at least once a year on the progress of the liquidation, and the business of the Company. Upon the completion of the liquidation, the liquidation committee shall submit a final report to the shareholders in general meeting.

**Article 206** The liquidation committee shall notify creditors of the Company within 10 days of its establishment, and shall make announcements in newspapers or the National Enterprise Credit Information Publicity System within sixty (60) days of its establishment.

The creditors shall report the creditor's rights to the liquidation committee within thirty (30) days upon receiving the letter of notice or within forty-five (45) days commencing from the date of announcement in case of receiving no such letter. The creditors shall make explanation about the creditor's rights and provide documents as proof when reporting the creditor's rights. The liquidation committee shall carry out registration of all creditors' rights. During the period of reporting the creditor's rights, the liquidation committee

shall not make liquidation for the creditors.

**Article 207** The liquidation committee shall have the following functions and powers during the liquidation of the Company:-

- (1) to evaluate the assets of the Company and prepare a balance sheet and inventory of assets;
- (2) to notify all creditors by notice or public announcements;
- (3) to administer any outstanding businesses of the Company relating to liquidation;
- (4) to settle all outstanding tax due from the Company and the tax arising from liquidation;
- (5) to settle all outstanding debts due from and/or claims against the Company;
- (6) to distribute any surplus assets remaining after Company's debts have been paid in full;
- (7) to represent the Company in any civil proceedings.

**Article 208** After the liquidation committee has evaluated the assets of the Company and prepared a balance sheet and an inventory of the Company's assets, it shall draw up a proposal for the liquidation and submit the same to the shareholders' general meeting or People's Court for approval.

The assets of the Company shall be distributed in the following order:-

- (1) liquidation fees and expenses;
- (2) wages and labour insurance premiums and statutory compensation of employees;
- (3) outstanding taxes due from the Company;
- (4) debts of the Company.

Any surplus assets remaining after the above payments have been made in full shall be distributed to the shareholders according to the class(es) and number of shares they hold.

During the course of liquidation, the Company shall continue to exist, but shall not engage in business activities unrelated to the liquidation.

The Company's assets will not be distributed to shareholders until they are settled in accordance with the provisions of the preceding paragraph.

**Article 209** If the liquidation committee subsequent to its evaluation of the Company's assets and preparation of the balance sheet and inventory of assets, it discovers that the Company's assets are insufficient to repay its debts in full, it shall immediately apply to the People's Court for bankruptcy liquidation.

Once the People's Court has accepted the Company application to be insolvent, the liquidation committee shall hand all matters relating to the liquidation over to the bankruptcy administrator designated by the People's Court.

**Article 210** Upon the completion of the liquidation, the liquidation committee shall prepare a liquidation report, accounts of its income and expenditure, and financial reports for the period of the liquidation. Once these accounts and reports are verified by a registered accountant of the PRC, they shall be submitted to the shareholders' general meeting or the People's Court for approval.

The liquidation committee shall, within 30 days of the date of approval by the shareholders' general meeting or the People's Court, submit the accounts and reports mentioned above to the companies registration authorities, apply for cancellation of the Company's registration and announce the cessation of the Company.

**Article 211** The members of the liquidation committee shall fulfill their liquidation duties and have the obligations of loyalty and diligence. If the members of the liquidation committee fails to perform their liquidation duties promptly and causes losses to the company, they shall be liable for compensation; The members of the liquidation committee shall be liable for compensation in the event that they cause any loss to creditors due to intentional or serious faults.

**Article 212** If the Company is declared bankrupt according to law, bankruptcy liquidation shall be carried out in accordance with relevant laws on enterprise bankruptcy.

## **CHAPTER 17 PROCEDURES FOR AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

**Article 213** The Company may amend any provision contained in these Articles in accordance with the provisions of relevant laws, administrative regulations and these Articles.

In the event of the following circumstances, the Company shall revise these Articles:

- (I) where the items of these Articles conflict with the revised laws and administrative regulations subsequent to the modification of the Company Law or related laws and administrative regulations;
- (II) where the situation of the Company changes and is inconsistent with the items recorded in these Articles;
- (III) where the general meeting of shareholders decides to revise these Articles.

**Article 214** The board of directors shall revise these Articles according to the resolution of the general meeting of shareholders to revise these Articles as well as the review suggestions given by the relevant supervising authorities. If the amendment to the articles of association passed by the shareholders' meeting

requires approval from the competent authority, it must be submitted to the competent authority for approval.

In the event that any item in these Articles to be revised involves information which shall be disclosed as required by laws and regulations, proper announcement shall be made accordingly.

**Article 215** Any amendments to these Articles involving a change in the particulars of the Company as they appear on the register of the companies registration authorities, shall be registered with the said authorities, in accordance with the law, to record the said changes.

## **CHAPTER 18 NOTICE AND ANNOUNCEMENT**

**Article 216** Notices of the Company shall be served by the following methods:

- (1) by hand;
- (2) by mail;
- (3) by way of announcement;
- (4) by other means approved by the securities supervisory and regulatory authorities and stock exchanges where the shares of the Company are listed or specified in these Articles.

**Article 217** The Company is required to issue announcements or notices on material matters in accordance with the provisions of the Company Law, the Articles of Association or other laws and administrative regulations. Where this is done by way of an announcement, the Company designates the media that meets the conditions set out by the CSRC and the website of the stock exchange for the publication of the Company's announcements and other information required to be disclosed, and once an announcement has been made, all relevant persons shall be deemed to have received the notice.

In respect of the manner in which the Company provides and/or distributes corporate communication to the overseas listed foreign shareholders in accordance with the requirements of the Hong Kong Listing Rules, subject to the compliance with the relevant provisions of the laws, regulations, regulatory documents and the rules of securities regulation of the place of the Company's listing, the Company shall (1) send or otherwise make available relevant corporate communications to relevant holders of its securities through electronic means and/or (2) post relevant corporate communications through the Company's website and the website of the Hong Kong Stock Exchange. In the event that an actionable corporate communication cannot be sent to a security holder due to the absence

of valid electronic contact information of the security holder, a printed copy of the communication shall be sent to the security holder free of charge with a request for valid electronic contact information in order to comply with the above requirements.

The corporate communication referred to in the preceding paragraph means any document issued or to be issued by the Company for the information or action of the holders of any securities of the Company, including but not limited to: (1) the report of the board of directors, the Company's annual accounts together with the accountant's report; (2) the interim report; (3) the notice of meeting; (4) the listing document; (5) the circular; and (6) the proxy form.

Overseas listed foreign shareholders of the Company may also elect in writing to receive a printed copy of the aforesaid corporate communication by post to the address of the shareholder registered in the register of shareholders. The Company shall send, mail, distribute, issue, publish or otherwise make available a printed copy of a corporate communication free of charge to overseas listed foreign shareholders upon request and disclose on its website the procedures for overseas listed foreign shareholders to request a printed copy of the corporate communication.

When providing company communications to shareholders of foreign shares listed overseas, relevant arrangements should be made to ensure that shareholders can choose which language version of the company communications to receive, including only receiving the English version, only receiving the Chinese version, or receiving both Chinese and English versions. Shareholders have the right to notify the company in writing to change the language version of the company communications they intend to receive, provided that the company is given reasonable time. The company shall specify in each company communication that shareholders have the right to change the language version of the company communication they intend to receive at any time, as well as the procedures for shareholders to make such changes.

**Article 218** For any notice delivered by hand, the addressee shall sign or seal with chop on the receipt slip and the date of delivery shall be the date of the confirmation of receipt by such addressee. For any notice delivered by mail, the date of delivery shall be the third business day after the delivery to the post office. For any notice delivered by announcement, the date of delivery shall be the first day on which such announcement is published.

**Article 219** An accidental omission to give notice of a general meeting to any person entitled to receive notice or a failure by such person(s) to receive such

notice shall not invalidate that general meeting and any resolution passed at that meeting.

## **CHAPTER 19      SUPPLEMENTARY ARTICLES**

**Article 220**      The Company appoints the Cninfo Web as the media for publishing the corporate advertisements and other information to be disclosed. The Company could designate other information disclosure media according to its actual demands.

**Article 221**      In case of any conflict between these Articles and the provisions of laws, administrative regulations, normative documents and the securities regulatory rules of the place where the Company's shares are listed, as promulgated from time to time, the provisions of such laws, administrative regulations, normative documents and the securities regulatory rules of the place where the Company's shares are listed shall prevail.

**Article 222**      These Articles are written in Chinese. Provided that any other Article of Association written in any other language or of any different version contradicts with these Articles, the Chinese-version Articles approved and registered in the Market supervision authority most recently shall prevail.

**Article 223**      Such terms used in these Articles as “above”, and “within” indicate that the specified number is included; terms like “over”, “except”, “lower than” and “more than” indicate that the specified number is not included.

**Article 224**      The board of directors of the Company shall be responsible for the interpretation of these Articles.

**Article 225**      These Articles shall take effect upon the date of being approved by the general meeting of shareholders.