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Shandong Molong Petroleum Machinery Company Limited



(A Sino-foreign joint stock limited company incorporated in the People's Republic of China  
with limited liability)

## ARTICLES OF ASSOCIATION

Approval in Extraordinary General Meeting on March 20<sup>th</sup>, 2004  
Revised in Extraordinary General Meeting on September 28<sup>th</sup>, 2004 (1<sup>st</sup> Revision)  
Revised in Extraordinary General Meeting and Class Shareholders' Meeting on February 14<sup>th</sup>, 2005 (2<sup>nd</sup>  
Revision)  
Revised in Extraordinary General Meeting and Class Shareholders' Meeting on December 5<sup>th</sup>, 2006 (3<sup>rd</sup>  
Revision)  
Revised in Annual General Meeting on May 25<sup>th</sup>, 2007 (4<sup>th</sup> Revision)  
Revised in Annual General Meeting on May 5<sup>th</sup>, 2008 (5<sup>th</sup> Revision)  
Revised in Annual General Meeting on January 8<sup>th</sup>, 2009 (6<sup>th</sup> Revision)  
Revised in Annual General Meeting on May 25<sup>th</sup>, 2012 (7<sup>th</sup> Revision)  
Revised in Extraordinary General Meeting on December 21<sup>st</sup>, 2018 (8<sup>th</sup> Revision)  
Revised in Annual General Meeting on July 19<sup>th</sup>, 2020 (9<sup>th</sup> Revision)  
Revised in Extraordinary General Meeting on March 3<sup>rd</sup>, 2021 (10<sup>th</sup> Revision)

(This Charter are draw up according to currently effective laws, regulations and rules including "Company Law of the People's Republic of China", "Securities Law of the People's Republic of China", "General Provisions for Articles of Association of Companies to be Listed Overseas" ("General Provisions"), (CSRC Overseas Letter [1995] No. 1), "Comments for Further Promoting Standardized Operation and Deepening Reform of Overseas Listed Companies" ("Comments"), "Main Board Listing Rules of The Stock Exchange of Hongkong Ltd" ("Hongkong Listing Rules"), "Rules Governing the Listing of Shares on Shenzhen Stock Exchange" ("Shenzhen Stock Exchange Listing Rules") "Guidelines for the Articles of Association of Listed Companies" (Revised in 2019) issued by CSRC and "The Decision on Certain Rules for the Modification of Cash Bonus Distribution of Listed Companies")

## CONTENTS

Chapter 1	General Provisions .....	3
Chapter 2	Purpose and Scope of Business.....	5
Chapter 3	Shares and Registered Capital.....	5
Chapter 4	Capital Reduction and Repurchase of Shares.....	10
Chapter 5	Financial Assistance for Purchase of Shares .....	12
Chapter 6	Share Certificates and Register of Shareholders.....	13
Chapter 7	Rights and Obligations of Shareholders.....	16
Chapter 8	General Meeting of Shareholders.....	20
Chapter 9	Special Procedures for Voting by Class Shareholders.....	34
Chapter 10	Board of Directors.....	36
Chapter 11	Secretary to the Board of Directors .....	44
Chapter 12	General Manager and Other Senior Management.....	45
Chapter 13	Supervisory Committee.....	46
Chapter 14	Qualifications and Obligations of Directors, Supervisors, General Manager , Deputy General Manager and Other Senior Management.....	49
Chapter 15	Financial Accounting System and Profit Distribution.....	54
Chapter 16	Appointment Accounting Firm.....	60
Chapter 17	Insurance.....	62
Chapter 18	Labour and Personnel Management System.....	62
Chapter 19	Trade Union Organization.....	62
Chapter 20	Merger and Division of the Company.....	63
Chapter 21	Dissolution and Liquidation of the Company.....	63
Chapter 22	Procedures for Amendment of the Company's Articles of Association.....	65
Chapter 23	Settlement of Disputes.....	66
Chapter 24	Notification.....	67
Chapter 25	Supplementary Articles.....	67

## Chapter 1 General Provisions

### Article 1

Shandong Molong Petroleum Machinery Co., Ltd (the “Company”) is a foreign investment joint stock limited company established in accordance with “The Company Law of the People's Republic of China” (“Company Law”), “The Securities Law of the People's Republic of China”, “Special Provisions of the State Council Concerning the Floatation and Listing Abroad of Stocks by Joint Stock Limited Companies” (“Special Provisions”) and other related laws and administrative regulations.

**Mandatory  
Provision 1**

Approved by the document “Reply for Agreeing to Set Up Shandong Molong Petroleum Machinery Co., Ltd.” (LTGH [2001] No.53) issued by Shandong Economic System Reform Office of The People’s Republic of China, the Company was established by promotion on 27 December 2001 and registered with Shandong Provincial Administration of Industry and Commerce on 30 December 2001, and obtained the business license of enterprise legal person, the unified social credit code is: 91370000734705456P.

The promoters of the Company are:

Zhang En Rong  
ID number: 37072319400109397X  
Address: No. 99 Beihai Road, Shouguang City Development Zone, Shandong Province

Lin Fu Long  
ID number: 370723195211184196  
Address: Hostel of Shandong Molong Petroleum Machinery Co., Ltd.

Zhang Yun San  
ID number: 370723196201203976  
Address: No. 99 Beihai Road, Shouguang City Development Zone, Shandong Province

Xie Xin Cang  
ID number: 610303196202211612  
Address: Hostel of Shandong Molong Petroleum Machinery Co., Ltd.

Liu Yun Long  
ID number: 370723690505399  
Address: Shuangjingkou Village, Shangkou County, Shouguang City, Shandong Province

Cui Huan You  
ID number: 370723490214397  
Address: Shaoliuying Village, Shangkou County, Shouguang City, Shandong Province

Liang Yong Qiang  
ID number: 142729680626151  
Address: Liyuanxiying Village, Kuiwen District, Weifang City, Shandong Province

Shengli Oilfield Kaiyuan Oil Development Co., Ltd.  
Legal representative: Chen Jian Xiong  
Legal address: No. 113, Huanghezong Road, Dongying District, Dongying City, Shandong Province.

Alloy Material Factory of Gansu Industrial University

Legal representative: Geng Xiang Zhong  
Legal address: No. 85 Langongping, Qilihe Area, Lanzhou City, Gansu Province

## Article 2

Company registered name (in English) : Shandong Molong Petroleum Machinery Company Limited  
(in Chinese) 山东墨龙石油机械股份有限公司

**Mandatory  
Provision 2**

## Article 3

Company Address: No. 999 Wensheng Street, Shouguang City, Shandong Province  
TEL: +86-536-5101565  
Fax: +86-536-5100888  
Postal Code: 262700

**Mandatory  
Provision 3**

## Article 4

The legal representative of the Company is the Chairman of the Company.

**Mandatory  
Provision 4**

## Article 5

The Company is a joint stock limited company which has perpetual existence.

**Mandatory  
Provision 5**

In accordance with the requirements of the Company Law and the Constitution of the Communist Party of China, organizations of the Communist Party of China (the "Party Organization") and working units shall be established by the Company. The Party Organization shall play a core political role in the Company, and ensure the Company's implementation of the objectives and policies of the Party and the State. The Company shall provide the necessary conditions to facilitate the activities of the Party Organization, promote the institutionalization and standardization of Party-building work, and foster the Party Organization's commencement of activities centering on production and operation, as well as the performance of its role.

## Article 6

These Articles of Association shall take effect from the date of passing by the Company's general meeting and upon approval of the competent department of the State, and shall replace in its entirety the original articles of association registered with the Administration of Industry and Commerce.

**Mandatory  
Provision 6**

From the date on which these Articles of Association come into effect, these Articles of Association shall constitute a legally binding document regulating the Company's organization and activities, and the rights and obligations between the Company and each shareholder and among the shareholders inter se.

## Article 7

These Articles of Association are binding on the Company and its shareholders, directors, supervisors, general manager, deputy general managers and other senior officers of the Company; all of whom are entitled, according to these Articles of Association, to make suggestions in respect of rights concerning the affairs of the Company.

**Mandatory  
Provision 7**

A shareholder may take action against the Company pursuant to these Articles of Association and vice versa. A shareholder may also take action against another shareholder; and shareholders and the Company may take action against the directors, supervisors, general manager, deputy general managers and other senior officers of the Company pursuant to these Articles of Association

The actions referred to in the preceding paragraph include court proceedings and arbitration proceedings.

The other senior officers mentioned above are Board Secretary of the Company and head of the finance department. The general manager, deputy general managers and other senior management all are senior officers.

**Articles of  
Listed  
Companies  
Guideline 11**

## Article 8

**Mandatory  
Provision 8**

The Company may invest in other limited liability companies or joint stock limited companies, and is liable for an invested company up to the amount of capital it contributes to the invested company. However, the Company shall not become shareholder of any profitmaking organization with unlimited liability.

#### **Article 9**

The Company is an independent corporate legal person with all its actions governed by the laws and regulations of China and the place where its overseas listed foreign invested shares are listed and the legal rights of its shareholders shall be protected. All capital of the Company are divided into shares of equal value. The shareholders are liable for the Company up to the amount of shares they subscribed and all the Company's assets are made liable for its debts.

Subject to compliance with PRC laws and administrative regulations, the Company shall have the right to raise funds or to obtain loans. Funding for the Company shall include, but not limited to, issue of corporate bonds, charge or pledge the ownership or right of use of part or all of the Company's assets and other rights as permitted under the PRC laws and administrative regulations, and under all circumstances provide guarantee in various kinds for the debts of any third parties (including but not limited to the Company's subsidiaries or associates), provided that in exercising the above rights, the rights of any class shareholders shall not be prejudiced or deprived.

### **Chapter 2 Purpose and Scope of Business**

#### **Article 10**

The Company's objectives are: to make full use of joint-stock form of economic organizations of all promoters, contribute to the national economic construction, and reward all shareholders with rich return on investment.

**Mandatory  
Provision 9**

#### **Article 11**

The business scope of the Company shall cover the items as approved by the Company registration authority.

**Mandatory  
Provision 10**

The Company's main business scope includes: pump, suckerrod, oil pumping machine, oil machinery, textile machinery, steel rolling and processing, special equipment, gear and gearbox, oil drilling special equipment, valve and cock, metallurgy special equipment, mechanical parts processing manufacturing, sales; petroleum machinery and relevant product development; commodity information services (excluding intermediary); technology promotion services; energysaving technology promotion services; technology imports and exports; goods imports and exports; inspection services; measurement services. (Project approved by law can only be carried out with the approval of the relevant department, and the validity period shall be subject to the license).

According to the domestic and international market trends, domestic business development needs and development ability and business performance of the Company, upon approval by the shareholders' meeting and relevant government authorities, the investment policy and business scope and methods can be adjusted as appropriate, and the Company may set up branches and offices both domestically and abroad as well as in Hong Kong, Macao and Taiwan (whether wholly-owned or not).

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

#### **Article 12**

The Company shall create ordinary shares at any time, and if required, other types of shares may be created upon approval by the company examination and approval authority as authorized by the State Council.

**Mandatory  
Provision 11**

#### **Article 13**

The Company's shares are in the form of share certificates.

**Articles of  
Listed  
Companies  
Guideline 14**

#### Article 14

The issue of shares by the Company shall adhere to the principles of openness, fairness and equitable. Every share of the same class shall rank pari passu to every other share of the same class.

Articles of Listed Companies Guideline 15

Shares of the same class issued at the same time shall have the same terms and price. The same amount of money is payable by a unit or an individual subscribing the share.

#### Article 15

The shares issued by the Company shall each have a par value of Renminbi one yuan.

Mandatory Provision 12

Upon approval by the competent securities authority under the State Council on 29 December 2003, the shares mentioned above were subdivided into shares of RMB0.10 each on the basis of 10 for 1 share split.

Upon authorization by the shareholders' meeting and class shareholders' meeting and with board resolution passed, the Company consolidated its shares on 7 January 2010 and 10 issued shares of RMB0.10 each shall be consolidated into 1 share of RMB1.00.

“Renminbi” or “RMB” referred above means the legal currency of the PRC.

#### Article 16

Subject to the approval of the competent securities authority under the State Council, the Company may issue shares to Domestic Investors and Foreign Investors.

Mandatory Provision 13

“Foreign Investors” referred to above mean those investors who subscribe for the Company's shares and who are located in foreign countries and in the regions of Hong Kong, Macau and Taiwan. “Domestic Investors” mean those investors who subscribe for the Company's shares and who are located within the territory of the PRC other than the regions described above.

#### Article 17

The shares issued by the Company to domestic investors for subscribing in RMB are named domestic shares. The shares issued by the Company to overseas investors for subscribing in foreign currencies are named foreign shares. Foreign shares to be listed outside China are named overseas listed foreign invested shares.

Mandatory Provision 14

“Foreign currencies” mean the legal currencies of countries or districts outside the PRC which are recognised by the foreign exchange authority of the State and which can be used to pay the share price to the Company.

HK Listing Rules Appendix 3 No. 9

Domestic shares issued by the Company denominated in RMB, to be listed domestically and are subscribed and traded in RMB shall be referred to as “A shares”.

Overseas-listed foreign shares issued by the Company shall be referred to as “H shares”. H shares are shares approved to be listed on The Stock Exchange of Hong Kong Limited (“HK Stock Exchange”) which are denominated in RMB and subscribed and traded in Hong Kong dollars.

#### Article 18

Upon approval of the companies approving department authorized by the State Council, the Company can issue up to a total of 40,500,000 ordinary domestic shares of RMB1.00 each at the time of establishment, of which 40,500,000 shares were issued to the promoters, or 100% of the total ordinary shares that can be issued, of which:

Mandatory Provision 15  
HK Listing Rules Appendix 3 No. 9

Zhang En Rong subscribed for 27,951,700 shares in the form of assets on 30 November 2001, representing 69.02% of total issuable ordinary shares of the Company upon its establishment.

Lin Fu Long subscribed for 3,421,600 shares in the form of assets on 30 November 2001,

Articles of Listed Companies Guideline 18

representing 8.45% of total issuable ordinary shares of the Company upon its establishment.

Zhang Yun San subscribed for 3,060,800 shares in the form of assets on 30 November 2001, representing 7.56% of total issuable ordinary shares of the Company upon its establishment.

Xie Xin Cang subscribed for 2,141,000 shares in the form of assets on 30 November 2001, representing 5.29% of total issuable ordinary shares of the Company upon its establishment.

Liu Yun Long subscribed for 1,467,000 shares in the form of assets on 30 November 2001, representing 3.62% of total issuable ordinary shares of the Company upon its establishment.

Cui Huan You subscribed for 923,800 shares in the form of assets on 30 November 2001, representing 2.28% of total issuable ordinary shares of the Company upon its establishment.

Liang Yong Qiang subscribed for 681,900 shares in the form of assets on 30 November 2001, representing 1.68% of total issuable ordinary shares of the Company upon its establishment.

Shengli Oilfield Kaiyuan Oil Development Co., Ltd. subscribed for 524,400 shares in the form of cash on 30 November 2001, representing 1.29% of total issuable ordinary shares of the Company upon its establishment.

Alloy Material Factory of Gansu Industrial University subscribed for 327,800 shares in the form of cash on 30 November 2001, representing 0.81% of total issuable ordinary shares of the Company upon its establishment.

#### **Article 19**

Upon establishment of the Company, capital was first increased by the issue of ordinary shares of 138,276,000 overseas listed foreign invested shares of RMB 0.10 each in April 2004 with existing shares in the number of 401,722,000 shares of RMB 0.10 each; in May 2005, the Company further issued 108,000,000 overseas listed foreign invested shares of RMB 0.10 each for capital increase. In May 2007, the Company made a bonus issue and capitalization of capital reserves for an increase of 2,591,992,000 shares of RMB 0.10 each, comprising 985,104,000 overseas listed foreign invested shares and 1,606,888,000 domestic shares. In September 2007, the Company further issued 49,252,000 overseas listed foreign invested shares of RMB 0.10 each for capital increase. In October 2010, the Company launched an initial public offer of 70,000,000 A shares of RMB 1.00 each. In May 2012, the Company made a capitalization of capital reserves for an increase of 398,924,200 shares of RMB 1.00 each, comprising 128,063,200 overseas listed foreign invested shares and 270,861,000 domestic shares.

**Mandatory  
Provision 16  
HK Listing  
Rules  
Appendix 3  
No. 9**

The current share structure of the Company is made up of 797,848,000 ordinary shares of RMB 1.00 each, comprising 541,722,000 domestic shares and 256,126,400 H shares.

#### **Article 20**

The Company's board of directors may take all necessary action for the issuance of overseas listed foreign invested shares and domestic shares after proposals for issuance of the same have been approved by the State Council's securities authorities.

**Mandatory  
Provision 17**

The Company may implement its proposal to issue overseas listed foreign invested shares and domestic shares pursuant to the preceding paragraph within fifteen (15) months from the date of approval by the State Council's securities authorities.

#### **Article 21**

Where the total number of shares stated in the proposal for the issuance of shares include overseas listed foreign invested shares and domestic shares, such shares should be fully subscribed for at their respective offerings. If the shares cannot be fully subscribed for all at once due to special circumstances, the shares may, subject to the approval of the State Council's securities authorities, be issued in separate branches.

**Mandatory  
Provision 18**

## Article 22

The registered capital of the Company is RMB797,848,400.

**Mandatory  
Provision 19**

## Article 23

The Company can increase its capital as required for business operation and development in accordance with the provisions of law and regulations. Upon such resolution being approved by the shareholders' meeting, the capital increase may take the following forms:

**Mandatory  
Provision 20**

- (1) Issue of shares to the public;
- (2) Private placement of shares;
- (3) Issue bonus shares to existing shareholders;
- (4) Capitalization of capital reserves; and
- (5) Other means as provided by the law and administrative regulations and approved by CSRC.

After the Company's increase of share capital by means of the issuance of new shares has been approved in accordance with the provisions of these Articles of Association, the issuance thereof should be made in accordance with the procedures set out in the relevant laws and administrative regulations.

## Article 24

Unless otherwise stipulated in the relevant laws or administrative regulations, shares in the Company shall be freely transferable and are not subject to any lien.

**Mandatory  
Provision 21  
HK Listing  
Rules  
Appendix 3  
No. 1 Section  
2**

The buying and selling, gift, inheritance and pledge of the Company's domestic shares and overseas listed foreign invested shares shall be performed in accordance of the PRC laws and these Articles of Association. The transfer of shares of the Company shall be registered at the share registration institution entrusted by the Company following the relevant procedures.

## Article 25

The shares of the Company once being transferred, the transferee shall become the owner of those shares and his/her name shall be put in the register of shareholders.

## Article 26

The Company does not accept the Company's shares as the object of a pledge.

**Articles of  
Listed  
Companies  
Guideline 27**

## Article 27

Any shares of the Company held by the promoter shall not be transferred within one year since the establishment of the Company. A shares issued for the first time cannot be transferred within one year since they were listed in the domestic stock exchange.

The directors, supervisors and senior officers of the Company shall declare to the Company their holdings in the Company's shares and inform the same if there are any changes in their holdings subsequently. During their terms of office, shares being transferred every year must not exceed 25% of their holdings in the Company's shares. No transfer of their holdings shall be made within one year after the Company's shares were listed. No transfer of their holdings in the Company's shares shall be made within six months after they cease to hold their respective offices.

## Article 28

When the directors, supervisors or senior officers of the Company or shareholders holding more than 5% of the shares of the Company sell their shares within six months after they are acquired or purchase shares within six months after they are disposed of, the board of directors shall repatriate any profits derived from such dealings and the profits derived shall belong to the Company. However, for securities companies which have acquired shares underwritten and become shareholders having more than 5% of the shares of the Company shall not be restricted by the



six-month restriction mentioned above when they sell their shares.

If the board of directors fails to enforce the provisions as set out above, the shareholders are entitled to request the board of directors to enforce them within thirty days. If the board of directors still fails to enforce within the said timeline, the shareholders are entitled to commence legal proceeding at the People's Court directly in their own names in the interests of the Company.

If the board of directors fails to enforce the first clause, the directors responsible shall be liable pursuant to the laws.

#### **Article 29**

The Company shall maintain a register of shareholders with the evidences provided by the securities registration institution, and the register of shareholders shall be sufficient evidence of the shareholders' shareholdings in the Company. A shareholder shall enjoy rights and assume obligations according to the class and amount of shares held by him; shareholders who hold shares of the same class shall enjoy the same rights and assume the same obligations.

The issue or transfer of all overseas listed foreign invested shares shall be registered pursuant to Article 46 in the overseas listed foreign shareholder register maintained in Hong Kong.

#### **Article 30**

Any overseas listed foreign shareholders shall transfer all or parts of their shares by standard form of transfer and documents as prescribed by the HK Stock Exchange. Transfer documents should be signed by the transferor and transferee by hand or in mechanically-printed form.

#### **Article 31**

The Company has to ensure all the overseas listed foreign shares to contain the statement as below, and indicates to its share registration office to refuse to register any persons as shareholders for subscribing, purchasing or transferring any of the Company's shares unless and until he shows to the share registration office a share certificate with the following statement and a properly signed form of transfer:

- (1) The purchaser agrees with the Company and each of its shareholders and the Company agrees with each shareholder to observe and comply with the Company Law and other relevant laws, administrative regulations and these Articles of Association;
- (2) The purchaser agrees with the Company and each of its shareholders, directors, supervisors and senior officers, and the Company for itself and on behalf of its directors, supervisors and senior officers agrees with its shareholders that it will refer all disputes and claims arising from the Articles of Association or from the rights and obligations specified in the Company Law or other relevant laws or administrative regulations to legal proceedings in accordance with the Articles of Association, and any reference to legal proceedings shall be deemed to authorize the conduct of an open hearing session and to publish its results;
- (3) The purchaser agrees with the Company and each of its shareholders that the shares can be freely transferred by the holder;
- (4) the purchaser authorizes the Company to conclude contract on his behalf with each director and senior officer, and such director and senior officer shall undertake to observe and fulfill their duties for shareholders as specified in the Articles of Association.

#### **Article 32**

The Company may cease sending dividend warrants by post under the following circumstances.

- (1) The dividend warrant is left uncashed on two consecutive occasions.
- (2) The dividend warrant is returned undelivered after the initial delivery.

The Company can sell the untraceable shares and retain the unclaimed dividends, provided that:

**HK Listing  
Rules  
Appendix 3  
No. 13  
Section 1**

**HK Listing  
Rules  
Appendix 3  
No. 13  
Section 2**

the Company has distributed dividends on such shares for at least three times in 12 years, which dividends are not claimed by anybody during the period;

- (1) upon expiration of the 12-year period, the Company makes an announcement of its intention to sell such shares in newspapers with the approval of the securities department under the State Council, and notify such department and the relevant securities regulatory authority at the place where the shares of the Company are listed.
- (2) Regarding the exercise of power to forfeit the unclaimed dividend, such power may be exercised only upon expiry of the applicable period.

**HK Listing  
Rules  
Appendix 3  
No. 3  
Section 2**

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

##### **Article 33**

The Company may reduce its registered capital in accordance with the stipulations of these Articles of Association of Association.

**Mandatory  
Provision 22**

##### **Article 34**

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

**Mandatory  
Provision 23**

The Company shall notify its creditors within 10 days from the date on which the resolution for the reduction of capital has been passed and shall publish a notice to that effect in a newspaper within 30 days thereof. The creditors who have received such notice shall, within 30 days thereafter, and those creditors who have not received such notice shall, within 45 days from the date the notice is first published, be entitled to require the Company to repay the debt or to provide corresponding guarantees for the debt.

The registered capital of the Company after the reduction of capital shall not fall below the minimum amount required by law.

For any increase or decrease in registered capital, the Company shall register such alteration at the company registration institution in accordance with the law.

##### **Article 35**

In the following circumstances, the Company may repurchase its issued shares in accordance with the procedures provided by these Articles of Association of Association after approval has been obtained from the securities supervisory authorities of the State Council:

**Mandatory  
Provision 24**

- (1) To cancel shares for reducing its registered share capital;
- (2) To merge with other companies which hold the Company's shares;
- (3) Using the shares for employee shareholding schemes or as share incentives;
- (4) For shareholders who object to the merger or division of the Company as approved in the general meeting of shareholders and request the Company to repurchase their shares;
- (5) Using the shares for convertible bonds issued by the Company to convert them to stocks;
- (6) Necessary acts by the Company to protect its value while safeguarding the interests of shareholders.
- (7) Other circumstances permitted by laws and administrative regulations.

**Articles of  
Listed  
Companies  
Guideline 23**

In addition to the above situations, the Company shall not purchase its own shares.

##### **Article 36**

**Mandatory  
Provision 25**

With the approval of the securities supervisory authorities of the State Council, the Company may repurchase its shares in any one of the following manners:

- (1) To make a repurchase offer to all shareholders in equal proportion to their shareholdings;
- (2) To repurchase the shares through open trading on a recognized stock exchange;
- (3) To repurchase the shares by way of agreement other than through a stock exchange.
- (4) Other methods that are permitted by CSRC.

For purchase(s) of the Company's shares in circumstances categorized under clauses (3), (5) and (6) of Article 35 of these Articles, the Company shall purchase its shares by open on-market centralized transactions.

### **Article 37**

The repurchase of shares by the Company by way of agreement other than through a stock exchange shall require the prior approval of shareholders in general meeting in accordance with the provisions of these Articles of Association. Upon prior approval granted in the same manner by shareholders in the general meeting, the Company may discharge or amend any agreement entered into in the aforesaid manner or to waive any rights granted under such agreement.

**Mandatory  
Provision 26**

The agreement for repurchase of shares referred to in the preceding paragraph shall include, but not limited to, the agreements relating to the assumption of obligations to repurchase shares and the acquisition of rights to repurchase shares.

The Company shall not assign an agreement for the repurchase of its shares or any of the rights provided therein.

For the callable share purchased by the Company according to law, the price of any purchase not through the market or by bidding shall not exceed the specified price limit; for any purchase by bidding, such offer should be made to all the shareholders under the same conditions.

**HK Listing  
Rules  
Appendix 3  
No. 8 Section  
1, 2**

### **Article 38**

After the Company has repurchased the shares according to law, the Company shall, within the time limit stipulated by laws and administrative regulations, cancel that part of the shares and shall apply to the original company registration institution for the registration of the alteration of its registered capital.

**Mandatory  
Provision 27**

The Company shall obtain the approval in a general meeting of shareholders for repurchase of its shares for the purposes set out in clauses (1) to (3) of Article 35. The Company should take the following actions after the repurchase in accordance with the above-mentioned Article 35. In case of clause (1) of Article 35, the shares shall be cancelled within 10 days from the date of the repurchase. In the case of clause (2) or (4) of Article 35, the shares so repurchased shall be transferred or cancelled within 6 months.

Shares repurchased by the Company in accordance with clause (3), (5) and (6) of Article 35 shall not exceed 10% of the Company's total issued capital. The fund used for repurchase shall be made out from the Company's after-tax profit. All the repurchased shares shall be transferred to incentive scheme participants or shall be cancelled within three years.

The registered capital of the Company shall be reduced by the amount of the total nominal value of the shares so cancelled.

### **Article 39**

Unless the Company is in liquidation, the repurchase of issued shares by the Company shall be subject to the following provisions:

**Mandatory  
Provision 28**

(I) For those shares repurchased at par value, payment may be made out of the distributable profits as shown on the accounts of the Company or from the proceeds of the issue of new shares which are issued for the purpose of repurchasing the old shares;

(II) For those shares repurchased at a value exceeding the par value, payment up to the par value thereof shall be made out of the distributable profits as shown on the accounts of the Company or from the proceeds of the issue of new shares which are issued for the purpose of repurchasing the old shares; payment of the portion in excess of the par value shall be dealt with in the following

manners:

1. For those repurchased shares which were issued at par value, it shall be paid out of the distributable profits as shown on the accounts of the Company;
2. For those repurchased shares which were issued in excess of the par value, it shall be paid out of the distributable profits as shown on the accounts of the Company or from the proceeds of the issue of new shares which are issued for the purpose of repurchasing old shares; provided that the amount paid out of the proceeds of the issue of new shares shall not exceed the total premium received from the issue of such repurchased shares, nor shall it exceed the amount in the Company's share premium account or capital reserve fund account (including the amount of premium from the issue of new shares) at the time of such repurchase;

(III) The payments made by the Company for the following purposes shall be paid out of the distributable profits of the Company;

1. Acquisition of rights to repurchase its shares;
2. Alteration of any agreement for repurchase of its shares;
3. Discharging any of its obligations under any repurchase agreement.

(IV) After the reduction of the total nominal value of the shares which have been so canceled from the registered capital of the Company pursuant to the relevant provisions, the amount which has been deducted from the distributable profits and which has been used for repurchasing the nominal value of the shares shall be credited to the share premium account or capital reserve fund account of the Company.

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

### **Article 40**

The Company or its subsidiaries shall not, at any time or in any manner, provide directly or indirectly any financial assistance to any person who acquires or intends to acquire the shares of the Company. The person who acquires the shares of the Company as aforesaid includes the person who assumes, directly or indirectly, obligations as a result of the purchase of the shares of the Company.

**Mandatory  
Provision 29**

The Company or its subsidiaries shall not, at any time or in any manner, provide financial assistance to reduce or discharge a person who assumes such obligations as aforesaid from such obligations.

This Article shall not apply to circumstances as described in Article 42 of this Chapter.

### **Article 41**

The financial assistance referred to in this Chapter shall include, but not be limited to, the following forms:

**Mandatory  
Provision 30**

- (1) Gifts;
- (2) Mat endowment;
- (3) Guarantees (including the assumption of obligations by the guarantor or the offering of property by the guarantor to secure the performance of obligations by the obligor), compensation (other than compensation to be made as a result of default on the part of the Company itself), discharge or waiver of rights;
- (4) Provisions of loans or entering into contracts in which the Company has to perform obligations prior to the performance of obligations by the other party, changes to loans or to the contracting parties and the assignment of such loans or contracts;
- (5) Any other forms of financial assistance given by the Company when the Company is unable to pay its debts or has no net assets or as a result of which the Company's net assets would be reduced to a material extent.

**Articles of  
Listed  
Companies  
Guideline 20**

The assumption of obligations referred to in this Chapter shall include the obligations assumed by the obligor due to changes in its financial position by entering into contracts or making arrangements (whether or not such contract or arrangement is enforceable and whether or not such person is liable individually or jointly with others) or by any other means.

#### **Article 42**

The following acts are not deemed as prohibited by the provisions of Article 40 of these Articles of Association of Association:

**Mandatory  
Provision 31**

(I) the financial assistance is given by the Company in good faith in the interests of the Company and the principal purpose in giving such assistance is not for the purchase of the Company's shares, or the assistance so given is only an incidental part of some larger purpose of the Company;

(II) The distribution of dividends by the Company by way of distributing its assets in accordance with law;

(III) The distribution of dividends by way of bonus shares;

(IV) Reduction of registered capital, repurchase of shares of the Company, restructuring of the share capital or other restructuring in accordance with these Articles of Association of Association;

(V) lending of money by the Company in the ordinary course of business which falls within its scope of business (but the net assets of the Company shall not be reduced thereby, or even if reduced, the said financial assistance is made out of the distributable profits of the Company);

(VI) Provision of funds by the Company for the employee share scheme (but the net assets of the Company shall not be reduced thereby, or even if reduced, the said financial assistance is made out of the distributable profits of the Company).

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

#### **Article 43**

**Mandatory  
Provision 32**

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

The particulars to be set out in the share certificates of the Company shall include:

(I) The name of the Company;

(II) The date of incorporation of the Company;

(III) The class and nominal value of and the number of shares represented by the share certificates;

(IV) The serial number of the share certificates; and

(V) Other particulars which are required to be included by the stock exchanges on which the shares of the Company are listed, except for those stated in the Company Law and Special Provisions.

#### **Article 44**

Share certificates shall be signed by the chairman of the board of directors. If the stock exchange on which the shares of the Company are listed shall require other senior managerial officers to sign thereon, such other senior managerial officers so required shall also sign on such certificates. The share certificates shall be effective after the seal of the Company have been affixed thereto or the seal has been affixed thereto in a printed form. The affixing of the Company seal upon the share certificate shall be authorized by the board of directors. The signatures of the chairman of the board of directors or other relevant senior managerial officers of the Company on the share certificates may also be made in printed form.

**Mandatory  
Provision 33  
CSRC  
Overseas  
Letter [1995]  
No. 1(1)  
HK Listing  
Rules  
Appendix 3  
No. 2 Section  
1**

#### **Article 45**

The Company shall establish a shareholders' register, and the register shall list the following information:

**Mandatory  
Provision 34**

- (I) Name (title), address (domicile), job or ownership of each shareholder;
- (II) Class and number of shares held by each shareholder;
- (III) Whether the shares held by each shareholder have been paid up or not;
- (IV) The serial numbers of the shares held by each shareholder;
- (V) The date of registration of each shareholder as a shareholder;
- (VI) The date of termination of each shareholder as a shareholder.

#### **Article 46**

The Company may keep the register of shareholders of overseas listed foreign invested shares outside the PRC in accordance with the understanding and agreements reached between the supervisory authorities of the securities committee of the State Council and overseas securities regulatory authorities, and appoint an overseas agent to administer the same. The original of the register of H shareholders shall be kept in Hong Kong.

**Mandatory  
Provision 35  
CSRC  
Overseas  
Letter [1995]  
No. 1(2)  
HK Listing  
Rules  
Appendix  
13D Section  
1b**

The Company shall keep a copy of the register of shareholders of overseas listed foreign invested shares at the registered address of the Company; the appointed overseas agent shall ensure the consistency of the original and the copy of the register of shareholders of overseas listed foreign invested shares.

In the event of inconsistency between the original and the copy of the register of shareholders of overseas listed foreign invested shares, the original register shall prevail.

#### **Article 47**

The Company shall keep a complete register of shareholders.

**Mandatory  
Provision 36**

The register of shareholders shall contain the following parts:

- (I) The register of shareholders which shall be kept at the address of the Company, being a register of all the shareholders other than those who are required to be registered under paragraphs (II) and (III) of this Article;
- (II) The register of shareholders which shall be kept in the place of the overseas stock exchange, being a register of the shareholders of overseas listed foreign invested shares;
- (III) The register of shareholders which is kept at other place(s) as the board of directors deems necessary for the listing of the shares of the Company.

#### **Article 48**

The various parts of the register of shareholders shall not overlap. A transfer of shares registered in a particular part of the register of shareholders shall not be registered in another part of the register of shareholders during the subsistence of the registration of such shares.

**Mandatory  
Provision 37**

Changes or rectification of each part of the register of shareholders shall be carried out in accordance with the laws of the place where such part of the register of shareholders is kept.

#### **Article 49**

All the overseas listed foreign invested shares shall be transferred by adopting ordinary, common or other written transfer documents accepted by the board of directors; they can be signed by hands without any seal. If the shareholder is a clearing house or his agent accepted by the laws in Hong Kong, the transfer document can be signed in machine printing form.

**HK Listing  
Rules  
Appendix 3  
No. 1  
Section 4**

All paid up overseas listed foreign invested shares which are listed in Hong Kong shall be freely transferable in accordance with these Articles of Association of Association; unless the following

**CSRC  
Overseas  
Letter [1995]  
No. 1(12)**

conditions are satisfied, the board of directors may refuse to recognize any transfer documents without giving any reasons:

(I) 2.50 Hong Kong dollars (for each transfer document) or a fee of such amount as may be prescribed from time to time in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the registration of the transfer documents of the shares and other documents relating to or affecting the ownership of shares is paid;

**HK Listing  
Rules  
Appendix 3  
No. 1  
Section 1**

(II) The transfer document only involves overseas listed foreign invested shares which are listed on the Main Board of the HK Stock Exchange;

(III) The stamp duty payable in respect of the transfer document has been paid;

(IV) The relevant share certificates, together with the evidence as reasonably required by the board of directors showing that the transferor is entitled to transfer the shares are produced;

(V) If the shares are to be transferred to joint holders, the number of joint holders shall not exceed four;

**HK Listing  
Rules  
Appendix 3  
No. 1  
Section 3**

(VI) The Company shall not have any lien over the relevant shares.

If the Company refuses to register the share transfer, the Company shall send a written notice of rejection to the transferor and transferee within two months from the date of transfer application.

**HK Listing  
Rules  
Appendix 3  
No. 1  
Section 2**

#### **Article 50**

The Company shall not be liable for any damages sustained by any person by reason of the cancellation of the original share certificate or the issuance of the replacement share certificate unless the claimant is able to prove that the Company has acted in a deceitful manner.

**Mandatory  
Provision 38**

Upon termination of listing of the shares, such share certificates of the Company shall continue to be traded in the share transfer agency system.

#### **Article 51**

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

**Mandatory  
Provision 39**

#### **Article 52**

Any person who disputes the register of shareholders and requests to have his name (or description) registered thereon, or requests to have his name (or description) removed there from may apply to the court of competent jurisdiction to rectify the register of shareholders.

**Mandatory  
Provision 40**

#### **Article 53**

If any shareholders whose name has been registered in the register of shareholders or any person who requires to have his name (or description) entered into the register of shareholders has lost his share certificate(s) ("Original Certificate(s)"), he may apply to the Company for the issue of (a) replacement certificate(s) in respect of such shares ("Relevant Shares"). Unless the Company is ascertained that the Original Certificate is destroyed, otherwise no new certificate shall be issued for replacement of the lost certificate.

**Mandatory  
Provision 41**

The application for the issue of replacement certificates by holders of domestic shares who lost their share certificates shall be made in accordance with section 144 of the Company Law.

The application for the issue of replacement certificates by holders of overseas listed foreign invested shares who lost their share certificates shall be made in accordance with the laws, stock exchange regulations and other relevant regulations of the place where the original of the register of members of such overseas listed foreign invested shares is kept.

The application for the issue of replacement certificates by H shareholders who lost their share certificates shall be made in accordance with the following procedures:

**HK Listing  
Rules No. 2  
Section 2**

(I) Applicants shall submit an application in standard form designated by the Company together

with a notarial certificate or statutory declaration. The notarial certificate or statutory declaration shall include the reason for the application made by the applicant, the circumstances under which the share certificate(s) was/were lost with supporting evidence and a declaration that no other persons may request to be registered as a shareholder in respect of the Relevant Shares;

(II) The Company does not receive any declaration from any person other than the applicant requesting registration as the shareholder of such shares before the Company determines to issue (a) replacement share certificate(s).

(III) If the Company decides to issue (a) replacement share certificate(s) to the applicant, an announcement of such intention to issue replacement share certificate(s) shall be published in the newspapers designated by the board of directors; the period for such announcement shall be 90 days and such announcement shall be published at least once every 30 days during such period.

(IV) Prior to the publishing of the announcement for the issue of (a) replacement certificate(s), the Company shall submit a copy of such proposed announcement to the stock exchange on which it is listed and shall obtain the reply of such stock exchange confirming that such announcement has been published at the stock exchange and such publication shall last until the expiry of 90 days from the date of receipt of such announcement.

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

(V) Upon the expiry of the 90-day period for the publication of the said announcement as provided in paragraphs (III) and (IV) of this Article, if no objection has been received by the Company from any person to the replacement of such certificate(s), (a) replacement share certificate(s) shall be issued pursuant to the applicant's application.

(VI) Upon issuing (a) replacement share certificate(s) pursuant to this Article, the Company shall immediately cancel the Original Certificate(s) and such cancellation and replacement shall be registered in the register of shareholders.

(VII) All costs incurred by the Company in connection with the cancellation of the Original Certificates and issuing replacement share certificates shall be borne by the applicant. Unless the applicant provides reasonable security, the Company shall be entitled to refuse to take any action.

#### **Article 54**

Upon the issuance by the Company of (a) replacement share certificate(s) pursuant to the provisions of this Chapter, the name (description) of a bona fide purchaser who acquired the new share certificate(s) as aforesaid or a shareholder who is subsequently registered as the owner of such shares (if being a bona fide purchaser) shall not be removed from the register of shareholders.

**Mandatory  
Provision 42**

#### **Article 55**

The Company shall have no liability for any loss sustained by any person as a result of the cancellation of the Original Certificates or in issuing replacement share certificates; unless it can be proved that the Company has acted fraudulently.

**Mandatory  
Provision 43**

Upon termination of listing of the shares, such share certificates of the Company shall continue to be traded in the share transfer agency system.

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

#### **Article 56**

Shareholders are the persons who hold shares of the Company legitimately, and whose names (descriptions) are registered in the shareholders' register.

**Mandatory  
Provision 44**

Shareholders shall enjoy rights and assume obligations according to the different types of shares held; shareholders who have the same type of shares shall enjoy the same rights and assume the same obligations.

**HK Listing  
Rules  
Appendix 3  
No. 9**

If any one of the joint shareholders dies, only the remaining joint shareholders shall be deemed to be the persons entitled to the ownership of the relevant shares, provided that the board of directors shall have the right to require the provision of documents certifying their death, as it deems fit; in respect of joint shareholders of any shares, only the shareholder named first in the register of shareholders shall be entitled to receive from the Company the share certificates in respect of the



relevant shares and to receive notices of and to attend and vote at the shareholders' general meetings of the Company and any notices served to the said person shall be deemed to be served on all the joint shareholders of the relevant shares.

#### **Article 57**

A holder of ordinary shares of the Company shall enjoy the following rights:

**Mandatory  
Provision 45**

(I) To receive dividends and other forms of profit distribution in accordance with the number of shares he holds;

(II) To request, to call, to preside over, to attend and to vote at shareholders' general meetings personally or by proxy;

(III) To supervise the business operation and activities of the Company, and to make proposals or inquiries in relation thereto;

(IV) To transfer, grant or pledge shares in accordance with laws, administrative regulations and the provisions of these Articles of Association of Association;

(V) To receive information in accordance with provisions of these Articles of Association of Association, including:

1. The obtaining of these Articles of Association of Association upon payment of the cost thereof;

2. Upon payment of reasonable charges, inspect and make copies of:

(1) All parts of the register of shareholders;

(2) Personal particulars of the directors, supervisors, and other senior managerial officers of the Company, including:

(a) Present and former names and aliases;

(b) Principal address (residence);

(c) Nationality;

(d) Full-time occupation and all other part-time occupations or positions;

(e) Identification document and the number thereof.

(3) The share capital of the Company;

(4) A report on the total nominal value, amount, highest and lowest prices and all payments made by the Company in respect of each class of shares repurchased by the Company since the last financial year;

(5) Counterfoil of corporate bonds, minutes of shareholder meetings, the resolutions of the Board meeting, the resolutions of the meetings of the supervisory committee, financial and accounting reports;

(VI) To participate in the distribution of the remaining assets in accordance with his shareholding upon the dissolution or liquidation of the Company;

(VII) For the shareholders having different opinions with the decision of the shareholders' meeting about the merger and division, require the Company to acquire its shares;

(VIII) Other rights conferred by these Articles of Association of Association, and relevant laws and administrative regulations.

The Company shall not exercise any powers to freeze or otherwise impair any of the rights attaching to any share of the Company by reason only that the person or persons who are

**HK Listing  
Rules  
Appendix 3  
No. 12**

interested directly or indirectly therein have failed to disclose their interests to the Company.

#### **Article 58**

For any shareholder who needs to observe or obtain the relevant information stated in the previous article, he shall offer the written documents which can prove his ownership of types and number of shares to the Company, the Company will provide the information on the request after confirming his identity.

#### **Article 59**

Should resolutions of shareholders' general meetings and board of directors meetings violate the laws and administrative regulations, shareholders have the right to request the People's Court to nullify those resolutions.

Should the procedures to call for shareholders' general meetings and board of directors meetings and the voting mechanism violate the law, administrative regulations and these Articles of Association or contents of resolutions violates these Articles of Association, shareholders have the right to request the People's Court to revoke the resolutions within 60 days upon the passing of such resolutions.

#### **Article 60**

Should directors and senior management personnel violate laws, administrative regulations or the Articles of Association while performing duties of the Company and result in losses of the Company, shareholders controlling over 1% shares of the Company individually or jointly for consecutive 180 days have the right to request the supervisory committee in written form to take legal actions via the People's Court. Should the supervisory committee violates laws, administrative regulations or the Articles of Association while performing duties of the Company and result in losses of the Company, shareholders can request the board of directors in written form to take legal actions via the People's Court.

If the supervisory committee or the board of directors refuse to take the legal actions upon receiving the written request as enlisted in the previous paragraph of this Article or failing to file lawsuits within 30 days upon receiving the request, or under emergency circumstances if fail to take legal actions immediately may result in material irrecoverable loss of the Company, shareholders above-mentioned have the right to take legal actions in their own names via the People's Court directly for the benefit of the Company.

Should any third party infringe upon the legal rights of the Company and result in losses of the Company, shareholders provided in the first paragraph of this Article can take legal actions via the People's Court in accordance with the previous two paragraphs of this Article.

#### **Article 61**

Should directors and senior management personnel violate the laws, administrative regulations or the Articles of Association and infringe upon the interest of the shareholders, shareholders can file litigation to the People's Court.

#### **Article 62**

A holder of ordinary share(s) of the Company shall assume the following obligations:

- (1) To observe the laws, administrative regulations and these Articles of Association of Association;
- (2) To pay the subscription price in accordance with the number of shares subscribed for and in the manner of subscription;
- (3) No divestment of its shares, save and except in circumstances as provided by the laws and regulations;
- (4) Not to abuse the shareholders' rights to damage the interest of the Company or other shareholders; not to abuse the independent status of the Company's legal person and the limited liability of the shareholders so as to damage the interest of the Company's creditors;

If shareholders of the Company, by abusing the shareholders' right cause losses to the Company or other shareholders, such shareholders shall be liable for damages in accordance with the laws.

**Mandatory  
Provision 46**

If the shareholders of the Company, by abusing the independent status of the Company's legal person and the limited liability of the shareholders, evade debts and seriously prejudice the interest of the Company's creditors, such shareholders are jointly and severally liable for the debt of the Company; and

(5) Other obligations imposed by laws, administrative regulations and these Articles of Association.

A shareholder shall not be liable to make further contribution to the subsequent increase in share capital other than those provided in the terms as agreed by the subscriber of the relevant shares on subscription.

#### **Article 63**

Any shareholder who owns 5% or more of the voting rights of the Company must report to the Company in writing with respect to any pledge of the shares in the Company held by him on the same day of the creation of the pledge.

#### **Article 64**

Save for the obligations required under the laws, administrative regulations or the listing rules of a recognized stock exchange on which the shares of the Company are listed, in exercising its rights as a shareholder, a controlling shareholder shall not exercise his voting rights to make decisions which would prejudice the interests of all or some of the shareholders in respect of the following matters:

**Mandatory  
Provision 47**

(1) to exempt the directors or supervisors from their obligation to act in good faith and in the best interests of the Company;

(2) to authorize the directors or supervisors (in the interests of himself or themselves or other persons) to deprive the Company in any manner of its assets, including but not limited to any opportunities beneficial to the Company;

(3) to authorize the directors or supervisors (in the interests of himself or themselves or other persons) to deprive the personal rights of other shareholders, including but not limited to any entitlement to distribution or voting rights but excluding reorganization of the Company approved by the shareholders in general meeting pursuant to these Articles of Association of Association.

#### **Article 65**

The controlling shareholder referred to in the preceding Article shall mean a person who meets one of the following conditions:

**Mandatory  
Provision 48**

(1) such person, either acting alone or in concert with others, may elect half or more of the directors;

(2) Such person, either acting alone or in concert with others, may exercise 30% or more of the voting rights of the Company or control the exercise of 30% or more of the voting rights of the Company;

(3) Such person, either acting alone or in concert with others, may hold 30% or more of the issued shares of the Company held by the public;

(4) Such person, either acting alone or in concert-with others, may have de facto control of the Company in any other way.

#### **Article 66**

The controlling shareholder or beneficial controller of the Company should not use its connected relationship to damage the Company's interest. The controlling shareholder or beneficial controller should be liable for compensation if it violates this rule and causes damage to the Company.

The controlling shareholder or beneficial controller should have fidelity duty to the other shareholders and the Company. The controlling shareholder should strictly follow the law to enforce its rights as a shareholder, and should not damage the Company's and the other shareholders' lawful rights in profit distribution, restructure of assets, external investments, use of

capital, and loan and guarantee. The controlling shareholder should not use its controlling position to infringe the interest of the Company and the other public shareholders.

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

### **Article 67**

The shareholders' general meeting is the governing body of the Company and it shall perform its functions in accordance with relevant laws.

**Mandatory  
Provision 49**

### **Article 68**

The shareholders' general meeting shall exercise the following powers:

**Mandatory  
Provision 50**

- (1) To determine the business policies and investment plans of the Company;
- (2) To elect and replace directors or supervisors, who are not employees' representatives, and to determine their remuneration;
- (3) To examine and to approve the report of the board of directors;
- (4) To examine and to approve the report of the supervisory committee;
- (5) To examine and to approve the annual financial budgets and final accounts of the Company;
- (6) To examine and to approve the plans for profit distribution and making up of losses of the Company;
- (7) To resolve on the increase or reduction in the registered capital of the Company;
- (8) To resolve on the issue of debentures by the Company;
- (9) To resolve on matters such as merger, division, dissolution and liquidation, etc. of the Company;
- (10) To amend these Articles of Association of Association;
- (11) To resolve on the appointment, dismissal or discontinuance of appointment of the accounting firm of the Company;
- (12) To consider and approve matters in relation to guarantee as stipulated in Article 69;
- (13) To approve acquisition or disposal of substantial assets within one year and which exceed 30% of the latest audited total assets of the Company;
- (14) To consider and approve the change of the use of proceeds from fund raising;
- (15) To consider the adoption of share option incentive scheme;
- (16) To consider any resolution proposed by shareholders representing 3% or more of the shares carrying voting rights of the Company;
- (17) Any other matters which are required by laws, administrative regulations and these Articles of Association to be resolved by the shareholders' general meeting;
- (18) The shareholder's general meeting can authorize or consign the board of directors to handle the matters authorized or entrusted by it.

### **Article 69**

The Company shall obtain shareholders' approval for the following external guarantee provided

**Articles of  
Listed  
Companies  
Guideline 44**

by the Company:

- (1) Any guarantee for any amount greater than the aggregate amount of external guarantee, which is equal to or exceed 50% of the latest audited total assets, provided by the Company and its controlling subsidiaries;
- (2) Any guarantee for any amount greater than the aggregate amount of external guarantee, which is equal to or exceed 30% of the latest audited total assets provided by the Company;
- (3) Provision of guarantee for any security which has a gearing ratio of more than 70%;
- (4) Provision of guarantee for any single transaction for an amount greater than 10% of the latest audited total assets; and
- (5) Provision of guarantee for shareholder, beneficial controller or its connected parties.

#### **Article 70**

Shareholders' general meetings shall be divided into annual general meetings and extraordinary general meetings. Annual general meetings shall be convened once every year and shall be held within six months after the end of the preceding accounting year.

**Mandatory  
Provision 52**

#### **Article 71**

Upon the occurrence of any of the following events, the board of directors shall convene an extraordinary general meeting within two months thereof:

**Mandatory  
Provision 52**

- (1) The number of directors is less than six persons;
- (2) The aggregate losses of the Company which have not been made up amount to one-third of the total share capital of the Company;
- (3) Shareholders holding an aggregate of 10% or more of the issued shares of the Company which carry the rights to vote request in writing the convening of an extraordinary general meeting;
- (4) Whenever the board of directors considers necessary or the supervisory committee proposes to convene the same.
- (5) Whenever two or more independent directors request.

**Opinion 6**

#### **Article 72**

The general meetings are convened at the domicile address of the Company or a place specified in the notice of a general meeting.

**Articles of  
Listed  
Companies  
Guideline 43**

Meeting places will be arranged for the convention of the general meetings. The Company will provide the means of online voting to help shareholders to participate in the general meetings. Shareholders will be regarded as attendees of the general meetings when they participate via the above-mentioned methods.

#### **Article 73**

A shareholders' annual general meeting shall be convened by a written notice served on the shareholders registered as such in the register of shareholders 20 business days (excluding the date of holding the meeting) prior to the meeting specifying the matters to be considered and the time and place of the meeting.

**Mandatory  
Provision 53**

When the Company convenes an extraordinary general meeting, a written notice must be given no later than the longer of 10 business days or 15 days before the meeting (whichever is the older) prior to the meeting specifying the matters to be considered and the time and place of the meeting. .

#### **Article 74**

Lawyers should be appointed to attend the general meetings of shareholders, and provide legal opinions and announce on the following questions:

- (1) Whether the convening or procedure of the general meeting is in compliance with laws, administrative regulations, and Articles of Association;
- (2) Whether the participants and the convener are legally qualified;
- (3) Whether the format and results of vote at the general meeting are legally effective;
- (4) Provide legal opinions on any other questions raised by the Company.

**Articles of Listed Companies Guideline 45**

#### **Article 75**

Two or more independent directors shall have the right to propose to the board of directors to convene an extraordinary general meeting. For the independent director calling an extraordinary general meeting, the board of directors should according to the laws, administrative regulations and the Articles of Association express their acceptance or refusal of the request within 10 days in writing form with reasons on the convention of the extraordinary general meeting.

**Articles of Listed Companies Guideline 46**

If the board of directors agrees to convene an extraordinary general meeting, a notice of general meeting will be made within 5 days after the decision of the board of directors. If the board of directors rejects the proposal from independent directors to convene an extraordinary general meeting, the reasons should be announced.

#### **Article 76**

In case the supervisory committee decided to convene a general meeting on their own, it should inform the board of directors in writing and the board of directors shall according to the laws, administrative rules and regulations and the articles of association express its acceptance or refusal of the request within 10 days in writing with reasons on the convention of the general meeting.

**Articles of Listed Companies Guideline 47**

If the board of directors agrees to convene an extraordinary general meeting, a notice of general meeting will be made within 5 days after the decision of the board of directors. If there is any change to the original proposed resolutions, consent from the original proposers should be obtained.

If the board of directors rejects the proposal from the supervisory committee to convene an extraordinary general meeting or fails to express board of directors' view within 10 days after receiving the request, it will be regarded that the board of directors does not or cannot discharge its duties to convene a general meeting. The supervisory committee may convene and chair such meeting on its own.

#### **Article 77**

Shareholders who request to convene an extraordinary general meeting or a class shareholders' meeting shall follow the procedures set out below:

**Mandatory Provision 72**

(1) Where shareholder(s) singly or jointly holding 10 % or more of the Company's shares (including proxies) request(s) in writing for the convening of an extraordinary general meeting or a class shareholders' meeting, one or several written requisitions in the same form may be signed requesting the board of directors to convene an extraordinary general meeting or a class shareholders' meeting, and the subject matter of the meeting shall be specified.

(2) The board of directors should according to the laws, administrative rules and regulations and the Articles of Association express their acceptance or refusal of the request within 10 days in writing form with reasons on the convention of the general meeting or class shareholders' meeting.

(3) If the board of directors agrees to convene an extraordinary general meeting or a class shareholders' meeting, a notice of general meeting will be made within 5 days after the decision of

**Articles of Listed Companies Guideline 48**

the board of directors. If there is any change to the original proposed resolutions, consent from the original proposers should be obtained.

If the board of directors does not agree to convene an extraordinary general meeting or a class shareholders' meeting or does not reply within 10 days upon receiving the request, shareholder(s) singly or jointly holding 10 % or more of the Company's shares (including proxies) may make requisition to the supervisory committee for the holding of an extraordinary general meeting in writing.

(4) If the supervisory committee agrees to convene an extraordinary general meeting or a class shareholders' meeting, a notice of general meeting will be made within 5 days after the decision of the supervisory committee. If there is any change to the original proposed resolutions, consent from the original proposers should be obtained.

If the supervisory committee fails to issue a notice of meeting within the prescribed period, the supervisory committee shall be deemed not to convene and chair the meeting. Shareholders individually or in aggregate holding 10% or more of the shares of the Company (including proxies) for 90 consecutive days may convene and chair the meeting on their own.

(5) The Company shall be liable to pay all reasonable compensation for the expenses incurred in convening and holding a meeting by the shareholders as a result of the failure of the board of directors and supervisory committee to convene such meeting upon the aforesaid requisitions and such compensation shall be deducted from any payment payable to the directors and supervisors who are in default of their duties.

#### **Article 78**

The supervisory committee or shareholders, if decided to convene a general meeting on their own, should inform the board of directors in writing form and file record to the appointed organizations of China Securities Regulatory Commission where the Company domiciles and domestic stock exchange(s).

Articles of  
Listed  
Companies  
Guideline 49

Before publication of announcement regarding resolutions of the general meeting, the number of shares held by shareholders convening for the meeting shall not be less than 10%.

Shareholders convening the meeting should submit explanatory materials to appointed organizations of China Securities Regulatory Commission where the Company domiciles and domestic stock exchange(s) before publication of the announcement on notification and resolutions of the general meeting.

#### **Article 79**

The board of directors and its secretary should cooperate with the supervisory committee or shareholders convening a general meeting on their own. The board of directors should provide the shareholders register as of the share capital registration day.

Articles of  
Listed  
Companies  
Guideline 50

#### **Article 80**

In case the supervisory committee decides to convene a general meeting of shareholders on their own, the expenses for the meeting shall be borne by the Company.

Articles of  
Listed  
Companies  
Guideline 51

#### **Article 81**

When the Company convenes a shareholders' general meeting, the board of directors, the supervisory committee and shareholder(s) individually and jointly holding more than 3% of the Company's shares have the right to propose resolutions to the Company.

Articles of  
Listed  
Companies  
Guideline 53

Shareholders alone or combined holding more than 3% of the shares in the Company can put forward proposals and submit to convene in writing 10 days before holding the shareholders' general meeting. Regarding the proposal according to the provisions of Article 82, the convener should within two business days after receipt of such proposal issue a supplemental notice of the general meeting specifying the matters of the ad hoc proposals.

Apart from the above, no amendment to the resolutions as set out in the notice of general

meeting or proposal of new resolutions shall be made after the convenor has issued the notice of general meeting.

The resolutions not set out in the notice of general meeting or failing to comply with Article 82 of these Articles of Association shall be not voted and resolved in the shareholders' general meeting.

#### **Article 82**

The proposal of shareholders' general meeting shall conform to the following conditions:

- (1) The contents of meeting shall not be in conflict with the provisions of laws or regulations, and shall be within the scope of Company business and the purpose and duties of such general meeting;
- (2) Definite issues and detailed decision matters shall be discussed;
- (3) In compliance with the laws, administrative regulations and the relevant provision of these Articles of Association;
- (4) It shall be submitted or sent to the board of directors in written form.

#### **Article 83**

The proposal on nomination of directors shall be submitted, notified and announced at least 10 trading days before the date of convening the shareholders' general meeting.

**Mandatory  
Provision 55**

#### **Article 84**

A notice of shareholders' general meeting shall satisfy the following requirements:

**Mandatory  
Provision 56**

- (1) It shall be in writing;
- (2) It shall specify the place, the date and the time of the meeting;
- (3) It shall state the registering date of share right of the shareholders who attend the general meeting;
- (4) It shall record the names and telephone numbers of meeting affair contact persons;
- (5) It shall state the business to be transacted;
- (6) It shall provide the shareholders with all such information and explanations as are necessary for the making of an informed decision by the shareholders on the business to be transacted, which shall include the provision of concrete terms and contracts (if any) of the proposed transaction together with a detailed explanation of the causes and consequences thereof in the event the Company proposes a reorganization, including but not limited to, merger, repurchase of its shares, restructuring of share capital or other forms of reorganization;
- (7) If any of the directors, supervisors, general managers and other senior managerial officers is materially interested in matters to be transacted, he shall disclose the nature and the extent of such interest; if the matters to be transacted have an effect on such directors, supervisors, general managers or senior managerial officers in the capacity of a shareholder which differs from other shareholders of the same class, such differences shall be specified;
- (8) It shall contain the full text of any special resolution proposed to be passed at the meeting;
- (9) It shall expressly specify in writing that the shareholders entitled to attend and vote at the meeting shall have the right to appoint one or more than one proxy to attend the meeting in his stead and to vote thereat and the proxy or proxies need not be a shareholder;
- (10) It shall specify the time and place for the delivery of the relevant instrument for appointing proxy.

**Articles of  
Listed  
Companies  
Guideline 55**



(11) If a general meeting adopts voting by internet, the voting time and methods for voting by internet or other means should be clearly stated in the notice of the general meeting.

The period between the date of record and the date of the meeting shall be no more than seven working days. Once the date of record is confirmed, it may not be changed.

#### **Article 85**

Notice of shareholders' general meeting shall be served on all shareholders (whether or not such shares carry the right to vote at the shareholders' general meeting) by personal delivery or by prepaid air mail at the address recorded in the register of shareholders. In respect of holders of domestic shares, notice of shareholders' general meeting may also be served by way of public announcement.

**Mandatory  
Provision 57**

The announcement referred to in the preceding paragraph shall be published prior to the date of the meeting in one or several newspapers designated by the securities supervisory authorities of the State Council. Once the announcement has been made, all holders of domestic shares shall be deemed to have received notice of the shareholders' meeting. The contents of such announcement written in Chinese and English shall be published as per the provisions of Article 271 of Articles of Association.

**HK Listing  
Rules  
Appendix 3  
No. 7 Section  
1 and 3**

The Company shall send a notice to make any overseas listed foreign invested shareholder registered in Hong Kong exercise his rights or implement as per the noticed articles within enough time.

#### **Article 86**

Notice of general meeting of which matters concerning the election of directors or supervisors will be discussed at the meeting should disclose detailed information about the directors or supervisors to be elected and should at least include the following information:

- (1) Personal information including educational background, working experience, part-time jobs, and etc.;
- (2) Any relationship with the Company, controlling shareholder and actual controlling person of the Company (if any);
- (3) Disclose the holding of shareholding of the Company;
- (4) Any past record of being penalized by China Securities Regulatory Commission or other related departments and a stock exchange (if any).

Apart from taking cumulative voting system in the election of directors and supervisors, the election for each director and supervisor shall be put forth in single proposal.

#### **Article 87**

General meeting will not be postponed or cancelled without force majeure, accident or a proper reason after dispatching the notice of general meeting. Propositions listed in the notice of general meeting shall not be cancelled. Should the meeting be postponed or cancelled, the convener of the meeting shall publish an announcement at least 2 working days before the meeting and disclose the reasons and the postponed date. If the general meeting will be delayed, the date of registering the share rights shall not be altered.

**Articles of  
Listed  
Companies  
Guideline 57**

#### **Article 88**

If the notice of meeting is not sent to someone who has right to receive the notice for an accidental omission or such person does not receive any notice of meeting, the meeting and the resolutions made in the meeting will not be invalid therefore.

#### **Article 89**

**Articles of  
Listed  
Companies  
Guideline 58**

The board of directors of the Company together with other convenors shall adopt necessary measures to maintain the normal order of the shareholders' general meeting. Measures shall be taken to stop any act which interferes with or causes nuisance at a general meeting and any act which infringes the lawful interests of the shareholders. Timely report of these acts shall be made to the relevant authority for investigation.

#### **Article 90**

All shareholders or their proxies who are named in the shareholders' register on the record date shall have the right to attend the shareholders' general meeting, and exercise their voting rights in accordance with the laws, regulations and these Articles of Association.

**Articles of Listed Companies Guideline 59**

Shareholders can attend the shareholders' general meeting in person, also they can appoint agents to attend and vote.

#### **Article 91**

Any shareholder who is entitled to attend and vote at a shareholders' meeting shall have the right to appoint one or more persons (whether being a shareholder or not) as his proxies to attend and vote at such meeting on his behalf. Such proxy or proxies may exercise the following rights pursuant to the appointment made by the appointing shareholder:

**Mandatory Provision 59**

- (1) The right of such shareholder to speak at the shareholders' general meeting;
- (2) To act on his own or join with other persons to demand for a poll;
- (3) To exercise the right to vote by a show of hands or by poll; however, if more than one proxy is appointed by a shareholder, such proxies shall only exercise the right to vote on a poll.

If the shareholder is a recognized clearing house (or their agent) as defined in the relevant laws and regulations of Hong Kong ("Recognized Clearing House"), he/she may authorize one or more proxy(ies) as he/she thinks fit to act as his/her proxy(ies) at any shareholders' general meeting or class meeting. However, if more than one proxy is appointed, the proxy form shall specify the number and class of shares represented by each of such proxies under the authorization. Such authorized proxies are entitled to attend meetings and exercise the rights on behalf of the Recognized Clearing House, as if they were the individual shareholders of the Company.

#### **Article 92**

The proxy form to appoint a proxy to attend any general meeting by a shareholder shall contain the following:

**Mandatory Provision 60 HK Listing Rules Appendix 3 No. 11 Section 2**

- (1) Name of the proxy;
- (2) Indication of whether voting power is granted;
- (3) Instruction of voting "for", "against" or "abstain" for each resolution proposed at any general meeting;
- (4) Date of signing the proxy form and the effective period for such appointment;
- (5) Signature (or seal) of the principal. If the principal is a corporate shareholder, the seal of the corporate shall be affixed.

#### **Article 93**

The instrument appointing a voting proxy shall be placed at the domicile of the Company or at such other places as specified in the notice of convening the meeting 24 hours prior to convening of the meeting at which the proxy is authorized to vote or 24 hours prior to the designated time of voting. Where the instrument is signed by another person authorized by the principal, the authorization letter or other documents authorizing the signatory shall be notarized. The notarized authorized letter or other authorized documents shall be placed together with the instrument

**Mandatory Provision 61**

appointing the voting proxy at the domicile of the Company or at such other places as specified in the notice of convening the meeting.

Where the principal is a legal person, its legal representative or the person authorized by resolution of its board of directors or other decision-making body shall be entitled to attend the Company's general meetings as the representative of such legal person.

#### **Article 94**

The instrument delivered to a shareholder by the board of directors of the Company for appointing a proxy shall be in such form so as to enable the shareholder to instruct freely at his choice the proxy to vote in favor of or against any resolution and to give instruction on each item of the business put to vote at the meeting. Such instrument of proxy shall specify that if no instruction is given by the shareholder, the proxy may vote in the way as he thinks fit.

**Mandatory  
Provision 62  
HK Listing  
Rules  
Appendix 3  
No. 11  
Section 1**

#### **Article 95**

Individual shareholders attending a general meeting in person shall produce their identity cards or other valid proof or evidence of their identities as well as stock account cards and, in the case of attendance by proxies, the proxies shall produce valid proof of their identities and the proxy forms from shareholders.

Where a shareholder is a legal entity, its legal representative or a proxy entrusted by such legal representative shall attend a general meeting. In case of attendance by legal representatives, they shall produce their identity cards, valid proof of their capacities as legal representatives and stock account cards of shareholders who are legal persons; in the case of attendance by proxies of such legal representatives, such proxies shall produce their identity cards and letters of authorization duly issued by such legal representatives.

#### **Article 96**

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

**Mandatory  
Provision 63**

#### **Article 97**

A registration record for attendees at the meeting shall be compiled by the Company. The registration record shall contain items including but not limited to the names of the attendees (or names of organizations), identity card numbers, residential addresses, the number of shares held or voting rights represented and names of the principals (or name of organizations).

**Articles of  
Listed  
Companies  
Guideline 64**

#### **Article 98**

The convener and the lawyers engaged by the Company shall verify the validity of the qualifications of shareholders based on such shareholders' register as provided by the securities registration and clearing institution, and shall register the names of the shareholders as well as the amount of their voting shares. The registration for a meeting shall be completed before the chairman of the meeting announces the number of shareholders and proxies attending the meeting and the total number of their voting shares.

**Articles of  
Listed  
Companies  
Guideline 65**

#### **Article 99**

When a shareholders' general meeting is convened, all the directors, supervisors and the secretary to the board of directors of the Company shall attend the meeting, and general manager and other senior management shall be present at such meeting.

**Articles of  
Listed  
Companies  
Guideline 66**

#### **Article 100**

The board of directors of the Company shall formulate The Rules of Procedure for Shareholders' General Meetings, and specify in details the procedures for convening and voting at the shareholders' general meeting, including notice, registration, reviewing of proposals, voting, counting of votes, announcement of voting results, formation of meeting resolutions, minutes of meeting and their signing, public announcements as well as principle for the authorization granted to the board of directors by the shareholders' general meeting, and the authorization shall be clear and specific. The Rules of Procedure for Shareholders' General Meetings shall be appended to the

**Articles of  
Listed  
Companies  
Guideline 68**

Articles of Association. They shall be formulated by the board of directors and approved by the shareholders' general meeting.

#### **Article 101**

At the annual general meeting, the board of directors and the supervisory committee shall report their work for the past year to the shareholders' general meeting. Each independent director shall also present a work report.

**Articles of Listed Companies Guideline 69**

#### **Article 102**

The directors, supervisors and senior management personnel shall answer shareholders' queries and suggestions and give explanation at the shareholders' meeting.

**Articles of Listed Companies Guideline 70**

#### **Article 103**

The chairman of the meeting shall, prior to voting, announce the number of shareholders and proxies attending the meeting in person as well as the total number of voting shares, which shall be the number of shareholders and proxies attending the meeting in person and the total number of their voting shares as indicated in the meeting's registration record.

**Articles of Listed Companies Guideline 71**

#### **Article 104**

The convener shall ensure that the shareholders' general meeting be conducted continuously until final resolutions are made. If the shareholders' general meeting is suspended or resolutions cannot be made because of force majeure and other special causes, the convener shall take necessary measures to resume the meeting or directly terminate that meeting as soon as practicable followed by a timely public announcement. At the same time, the convener shall report to the appointed organizations of China Securities Regulatory Commission where the Company domiciles and the stock exchange(s).

**Articles of Listed Companies Guideline 74**

#### **Article 105**

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

**Mandatory Provision 64**

An ordinary resolution of a shareholders' general meeting shall be passed by more than one half of the votes cast by the shareholders present in person or by proxy at the shareholders' general meeting.

A special resolution of a shareholders' general meeting shall be passed by more than two thirds of the votes cast by the shareholders present in person or by proxy at the shareholders' general meeting.

A shareholder (including his proxy) shall agree with, abstain or object to each matter required to be voted.

#### **Article 106**

A shareholder (including his proxy) may exercise voting rights at the shareholders' general meeting according to the number of shares which carry the right to vote held by him and each share shall have one vote.

**Mandatory Provision 65  
HK Listing Rules  
Appendix 3  
No. 14**

If any shareholder can only abstain or give an affirmative or negative vote to any special resolution according to any applicable law or regulation, any vote given by this shareholder or his representative by breaching this requirement or limit will not be counted.

#### **Article 107**

**Mandatory Provision 66**

In the shareholders' general meeting, all votes cast by shareholders shall be by poll, unless the chairman in good faith decides that resolutions solely related to procedural or administrative issues shall be voted by show of hands. The Company shall announce the voting results in the manner as directed by the HK Stock Exchange.

Such procedural or administrative issues include:

- (1) Issues not covered in the agenda of the shareholders' general meeting or any supplementary circulars to shareholders; and
- (2) Issues involving the duties of the chairman for holding the meeting in an orderly manner and/or enabling the business of the meeting to be handled more effectively, and that all shareholders would have a reasonable opportunity to express his view.

Notwithstanding the above, at any shareholders' general meeting, a resolution shall be decided on a show of hands unless a poll is demanded:

- (I) by the chairman of the meeting;
- (II) by at least two (2) shareholders present in person or by proxy entitled to vote thereat;
- (III) by one (1) or more shareholders present in person or by proxy and representing 10 % or more of all shares carrying the right to vote at the meeting; and
- (IV) by the director(s) and/or the relevant shareholders, chairman of the meeting who individually or jointly hold 5% or more of the total voting rights by proxy at the meeting (if on a show of hands, the voting results are against those as shown in the proxy forms), before or after a vote is carried out by a show of hands.

Unless a poll is demanded, a declaration by the chairman that a resolution is passed on a show of hands and the record of such in the minutes of the meeting shall be conclusive evidence of the fact that such resolution has been passed. There is no need to provide evidence of the number or proportion of votes in favour of or against such resolution.

The demand for a poll may be withdrawn by the person who demands the same.

#### **Article 108**

If a poll is demanded for the election of the chairman or the adjournment of the meeting, such matters shall be resolved by poll immediately; in respect of a poll demanded for other matters, the time for such a poll shall be decided by the chairman of the meeting and other business may be proceeded with at the meeting. The result of such a poll shall still be deemed as a resolution passed at the meeting.

**Mandatory  
Provision 67**

#### **Article 109**

On a poll taken at a meeting, shareholders (including their proxies) who are entitled to two or more votes are not required to cast all their votes in favor of or against a resolution.

**Mandatory  
Provision 68**

#### **Article 110**

Where material issues affecting the interests of small and medium investors are being considered at the general meeting, the votes by small and medium investors shall be counted separately. The separate counting results shall be publicly disclosed in a timely manner.

Shares in the Company which are 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.

The board of directors, independent directors and qualified shareholders may collect voting rights from shareholders. Shareholders' voting rights shall be solicited with sufficient disclosure of the concrete voting intention to the owner of the voting rights. Consideration or de facto consideration for soliciting shareholders' voting rights is prohibited. The Company shall not set a minimum shareholding ratio threshold for soliciting the voting rights.

#### **Article 111**

When a related transaction is considered at a general meeting, the related shareholders shall not vote, and the voting shares held by them shall not be counted in the total number of voting shares; the announcement of any resolution made at the general meeting shall adequately disclose information relating to voting by non-related shareholders. Where under special circumstances the related shareholders fail to avoid such matter, after permission being granted by the competent authorities, the Company may put the matter to vote according to normal procedures and explain in detail in the announcement on resolutions of the general meeting.

#### **Article 112**

**Mandatory  
Provision 70**

The Company shall, subject to the shareholders' general meetings being legally and validly held, make it convenient for the shareholders to attend the general meetings through various means, including using modern information technology to establish an online voting platform for A shareholders.

#### **Article 113**

Without approval by way of special resolution is obtained in a general meeting, the Company shall not enter into any contract with any person other than the directors, general managers and other senior management members whereby the management and administration of the whole or any substantial part of the business of the Company is to be handed over to such person, save for special circumstances such as the Company is in a crisis.

#### **Article 114**

The list of candidates for director and supervisor shall be proposed to the general meeting for voting.

When voting on the election of two or more directors or supervisors, the general meeting may implement accumulative voting system according to the provisions of these Articles of Association or resolution of the general meeting.

Accumulative voting system referred to in the preceding paragraph means a system whereby each share, in an election of more than two directors or supervisors at a general meeting, carries the number of voting rights equivalent to the number of the directors or supervisors to be elected, and a shareholder may concentrate his voting rights. When voting on candidates of directors or supervisors, a shareholder may exercise all his voting rights towards one or more candidates of directors or supervisors, he may also distribute his votes separately to all candidates of directors or supervisors.

The directors to be elected at the general meeting shall be determined based on the number of candidates and number of votes. Where the number of candidates is equal to the number of directors to be elected, such candidates shall have votes representing more than one-half of the total votes for the voting shares (based on the number of non-cumulative shares) held by shareholders (including their proxies) presented at the meeting. In case the number of candidates exceeds the number of directors for election, the candidate having more votes will be elected, but in no event the votes for the elected directors shall be less than one-half of the total votes for the voting shares (based on the number of non-cumulative shares) held by shareholders (including their proxies) presented at the meeting.

The supervisors to be elected at the general meeting shall be determined based on the number of candidates and number of votes. Where the number of candidates is equal to the number of supervisors to be elected, such candidates shall have votes representing more than one-half of the total votes for the voting shares (based on the number of non-cumulative shares) held by shareholders (including their proxies) presented at the meeting. In case the number of candidates exceeds the number of supervisors for election, the candidate having more votes will be elected, but in no event the votes for the elected supervisors shall be less than one-half of the total votes for the voting shares (based on the number of non-cumulative shares) held by shareholders (including their proxies) presented at the meeting.

The board of directors shall make announcement to the shareholders on the bibliographical profile of the candidates for directors and supervisors.

#### **Article 115**

In addition to the cumulative voting system, the shareholders' meeting of all plan to vote, item by item, to the same items have different proposal, the proposal put forward by the time they vote.

Except because of force majeure special causes the shareholders' meeting or couldn't make a decision to suspend the shareholders' general meeting to plan will not be delayed or not to vote.

#### **Article 116**

No amendment shall be made to a proposal when it is considered at a general meeting, otherwise, the relevant amendment shall be deemed as a new proposal and shall not be voted on at the general meeting.

#### **Article 117**

The same voting right can only be exercised in only one form: onsite, over the network, or otherwise. Where the same voting right is exercised more than once, the voting result of the first time shall prevail.

#### **Article 118**

Voting at the shareholders' meeting will be in registered form.

#### **Article 119**

When proposals are voted on at the general meeting, two shareholders' representatives shall be appointed to count, and monitor counting of, the votes. Where any shareholder has interests in any issue considered, the said shareholder or proxy thereof shall not participate in counting and monitoring of ballots.

**Articles of  
Listed  
Companies  
Guideline 87**

When proposals are voted on at the general meeting, the lawyer, shareholders' representative and supervisors' representative shall be jointly responsible for the counting and monitoring of the ballots and shall announce the voting results on the spot, voting results of which shall be recorded in the meeting minutes.

A shareholders of listed companies or proxies thereof voting through the internet shall have the right to check their voting results via the corresponding voting system.

#### **Article 120**

The starting time of voting for A shareholders through the internet in the general meeting shall be 9:15 am on the day when the general meeting will be held, and the latest time for such voting shall be 3:00 pm on the day when the general meeting is concluded.

**Articles of  
Listed  
Companies  
Guideline 55**

A general meeting shall not conclude at the venue earlier than through the internet, and the presider shall announce the voting result of every proposal and announce whether the proposal is passed or not according to the voting result.

**Articles of  
Listed  
Companies  
Guideline 88**

Before the voting result is announced, the relevant parties including the listed company, counting officer, monitoring officer, major shareholders and internet service provider involved at the venue, through the internet or otherwise shall have the confidentiality obligation.

#### **Article 121**

A shareholder attending a general meeting shall express one of the following opinions on any proposal to be voted on: for, against or abstention.

**Articles of  
Listed  
Companies  
Guideline 89**

Blank, wrong, illegible or uncast votes shall be deemed as the voters' waiver of their voting rights, and the voting results representing the shares held by such voters shall be counted as "abstentions".

#### **Article 122**

Resolutions of the general meeting shall be announced in due time. The announcement shall specify the number of attending shareholders and their proxies, the total number of voting shares they represent and the proportion of these shares to the total number of the voting shares of the Company, the method of voting, the voting result of each proposal and details of each resolution so passed.

**Articles of Listed Companies Guideline 91**

#### **Article 123**

Where a proposal has not been passed or the resolutions of the preceding general meeting have been changed at the current general meeting, special mention shall be made in the announcement of the resolutions of the general meeting.

**Articles of Listed Companies Guideline 92**

#### **Article 124**

Where a proposal on election of directors or supervisors is passed at the general meeting, the term of office of a new director or supervisor shall commence on the date on which resolutions of the shareholders' general meeting are approved.

**Articles of Listed Companies Guideline 93**

#### **Article 125**

Where a proposal on cash dividends, bonus shares or increase of share capital by way of transfer from capital reserves, the Company shall implement the specific scheme within two months after conclusion of the general meeting.

**Articles of Listed Companies Guideline 94**

#### **Article 126**

The following matters shall be passed by ordinary resolution at a shareholders' general meeting:

- (1) The working reports of the board of directors and the supervisory committee;
- (2) Plans for profit distribution and for making up of losses prepared by the board of directors;
- (3) Appointment and removal of the members of the board of directors and the members of the supervisory committee and their remuneration and method of payment;
- (4) Annual budget, statement of final accounts, balance sheet, profit and loss statement and other financial statements of the Company;
- (5) Other matters except those required by law, administrative regulations or these Articles of Association to be passed by special resolution at a shareholders' general meeting.

#### **Article 127**

The following matters shall be passed by special resolution at the shareholders' general meeting:

**Mandatory Provision 71**

- (1) An increase or reduction of the share capital of the Company, or issue of any class of shares, warrants and other similar securities;
- (2) An issue of debentures by the Company;
- (3) The merger, division, dissolution and liquidation of the Company;
- (4) Amendments to these Articles of Association;
- (5) Changes or cancellation of class shareholders' rights;
- (6) Any purchase or disposal of substantial assets made or guarantee provided by the Company



within one year, the amount of which exceeds 30% of the total assets as presented in the latest audited consolidated financial statements of the Company;

(7) The stock ownership incentive plan;

(8) Other matters which are resolved by ordinary resolutions in shareholders' general meeting to be of material effect to the Company, which are to be passed by special resolutions.

#### **Article 128**

The board of directors and supervisory committee shall respond or explain to any shareholder's query and advice in the general meeting, except for the Company's business secrets.

#### **Article 129**

A shareholders' general meeting shall be convened and presided by the chairman of the board of directors. If the chairman of the board of directors cannot attend the meeting, the vice-chairman shall convene and take the chair of the meeting; if both the chairman and the vice-chairman cannot attend the meeting, the board of directors may designate a director of the Company to convene and take the chair of the meeting; if no chairman of the meeting has been so designated, the shareholders present may choose one person to be chairman of the meeting. If for any reason the shareholders fail to elect a chairman, the shareholder present in person or by proxy in the meeting and holding the largest number of shares which carry the right to vote shall be the chairman of the meeting.

**Mandatory  
Provision 73  
Articles of  
Listed  
Companies  
Guideline 67**

As for the shareholders' general meeting convened by the supervisory committee, the chairman of the supervisory committee shall call and serve as the chairman of the meeting. If the chairman is unable to perform duties or not performing his duties, more than half of the supervisors may elect a supervisor to call such meeting and be the chairman of the meeting.

As for the shareholders' general meeting convened by the shareholders, the conveners nominate representative to call and serve as the chairman of the meeting.

When a shareholders' general meeting is convened, if the chairman of the meeting contravenes the rules of procedures, rendering the meeting impossible to proceed, with the consent from half or more of the attending shareholders with voting rights, one person may be nominated at the shareholders' general meeting to serve as the chairman and the meeting may proceed.

#### **Article 130**

The chairman of the meeting shall be responsible for determining whether a resolution of the shareholders' general meeting is passed and his determination shall be final and the same shall be announced at the meeting and recorded in the minutes of the meeting.

**Mandatory  
Provision 74**

#### **Article 131**

If the chairman of the meeting has any doubt as to the result of voting on any resolution, he may have the votes counted. If the chairman of the meeting does not make a count of such votes, any shareholder present in person or by proxy at the meeting who disputes the result announced by the chairman of the meeting shall be entitled to request a count of the votes immediately after the declaration of the result and the chairman of the meeting shall forthwith proceed with such counting.

**Mandatory  
Provision 75**

#### **Article 132**

In the event a count of the votes has been made at a shareholders' general meeting, the result thereof shall be recorded in the minutes of the meeting.

**Mandatory  
Provision 76**

#### **Article 133**

The shareholders' general meeting shall keep minutes of the resolutions passed at the meeting, and the chairman and convener of the meeting shall ensure that the contents of such minutes are true, correct and complete. The directors, supervisors, secretary to the board of directors, convener or

**Articles of  
Listed  
Companies  
Guideline 73**

its representative and the chairman of the meeting shall sign on the minutes. Such minutes shall be maintained together with the signature book of the attending shareholders and proxy forms, and valid information on the voting through internet or other means for a period of at least 10 years.

Minutes of a general meeting shall be kept by the secretary of the board of directors. The minutes shall state the following contents:

**Mandatory  
Provision 76**

- (1) Time, venue and agenda of the meeting and names of the convener;
- (2) The name of the meeting chairman and the names of the directors, supervisors and senior management attending or present at the meeting;
- (3) The number of voting shares of shareholders and proxies attending the meeting (including domestic shareholders and their proxies and holders of overseas listed foreign invested shares and their proxies) and the percentages of their voting shares to the total share capital of the Company;
- (4) The voting results of the shareholders present and their proxies on each proposal;
- (5) The key summary of speeches on each item for consideration;
- (6) The process of review and discussion on each item for consideration and voting result;
- (7) Shareholders' questions, opinions or suggestions and corresponding answers or explanations by the board of directors or the supervisory committee;
- (8) Names of lawyers, vote counters and scrutinizers of the voting;
- (9) Other matters considered by the shareholders' general meeting that should be recorded and those required by the Articles of Association to be contained in the minutes.

**Articles of  
Listed  
Companies  
Guideline 72**

The minutes of the meeting together with the signature book of the shareholders attending the meeting and proxy forms shall be kept at the legal address of the Company.

#### **Article 134**

A shareholder shall be entitled to inspect copies of the minutes of shareholders' general meeting(s) free of charge during office hours of the Company. Upon the request of any shareholder for a copy of the relevant minutes of meeting, the Company shall send out the copy of the minutes so requested within seven days of the receipt of reasonable payment therefore.

**Mandatory  
Provision 77**

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

#### **Article 135**

Shareholders holding different classes of shares shall be classified as class shareholders.

**Mandatory  
Provision 78**

Class shareholders shall enjoy rights and undertake obligations according to laws, administrative regulations and these Articles of Association of Association.

#### **Article 136**

**Mandatory  
Provision 79**

If the Company proposes to vary or revoke the rights of the class shareholders, the same can only be implemented after it has been passed by a special resolution at a shareholders' general meeting and also by the class shareholders so affected at the shareholders' meetings respectively convened in accordance with Articles 137 to 141 of these Articles of Association of Association.

#### **Article 137**

The following situations shall be considered as a variation or abrogation of the rights of a certain

**Mandatory  
Provision 80**

class of shareholders:

- (1) An increase or reduction of the number of shares of that class of shares or an increase or reduction of the number of shares in another class which carry the same or more right to vote, right of distribution or other privileges;
- (2) The conversion of all or part of the shares of that class to another class, or the conversion of all or part of the shares of another class into the shares of that class or the granting of such right of conversion, except as permitted by the securities regulatory institution under the State Council for the transfer of domestic shareholder of his shares to an overseas investor for trading overseas;
- (3) The cancellation or reduction of the rights of that class of shares to receive dividends declared or accrued;
- (4) The reduction or cancellation of the preferential rights of that class of shares to receive dividends or to receive distribution of assets upon the liquidation of the Company;
- (5) The increase, cancellation or reduction of the share conversion rights, options rights, voting rights, rights of transfer, preemptive rights and rights to acquire the securities of the Company of that class of shares;
- (6) The cancellation or reduction of the rights of that class of shares to receive payment payable by the Company in a particular currency;
- (7) To create a new class of shares which enjoys the same or more voting rights, distribution rights or other privileges than those enjoyed by that class of shares;
- (8) To restrict or increase the restriction on the transfer or ownership of that class of shares;
- (9) The granting of subscription rights or conversion rights in respect of that class or another class of shares;
- (10) The increase of the rights and privileges of another class of shares;
- (11) The reorganization of the Company as a result of which different classes of shareholders assume obligations otherwise than in proportion;
- (12) The amendment or abrogation of the provisions in this Chapter.

#### **Article 138**

Whether or not the class shareholders so affected have voting rights at the shareholders' general meeting, they shall have the right to vote at the meeting of class shareholders in respect of the matters mentioned in paragraphs (2) to (8) and (11) to (12) of Article 137 of these Articles of Association of Association provided that interested shareholders shall not have the right to vote at the meeting of the class shareholders.

**Mandatory  
Provision 81**

An interested shareholder mentioned in the preceding paragraph refers to:

- (1) In the case where the Company makes a repurchase offer to all shareholders in a proportionate manner in accordance with the provisions of Article 36 of these Articles of Association of Association or repurchases its shares on a stock exchange through public dealing on a stock exchange, "interested shareholder" shall mean the controlling shareholder as defined in Article 65 of these Articles of Association of Association;
- (2) In the case where the Company repurchases its shares by way of agreement other than through a stock exchange in accordance with the provisions of Article 36 of these Articles of Association of Association, "interested shareholder" shall mean the holder of the relevant shares;
- (3) In the reorganization of the Company, "interested shareholder" shall mean a shareholder who undertakes obligations to a lesser extent than other shareholders of the same class, or a shareholder who enjoys benefits which are different from those enjoyed by other shareholders of the same class.

#### **Article 139**

A resolution of the meeting of class shareholders shall be passed in accordance with Article 138 by more than two-thirds of the voting rights of the class shareholders present and having the right to vote in the meeting.

#### **Article 140**

If the Company convenes a meeting of class shareholders, it shall issue a written notice 10 days(excluding the date of holding the meeting) prior to the meeting to all shareholders of such class who are on the register of shareholders, specifying the business to be transacted and the date and place of the meeting.

**Mandatory Provision 83**

#### **Article 141**

Notice of the meeting of class shareholders need only be served on the shareholders who are entitled to vote at such meeting.

**Mandatory Provision 84**

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

#### **Article 142**

Apart from the shareholders of other classes of shares, the shareholders of domestic shares and shareholders of overseas listed foreign invested shares are deemed to be different classes of shareholders.

**Mandatory Provision 85 CSRC Overseas Letter [1995] No. 1 (3)**

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

(1) where, with the approval by a special resolution at a shareholders' general meeting, the Company issues, either individually or concurrently, domestic shares and overseas listed foreign invested shares at an interval of twelve months, and the number of domestic shares and overseas listed foreign invested shares proposed to be issued does not exceed 20% of the issued domestic shares and 20% of the issued overseas listed foreign invested shares respectively; or

**HK Listing Rules Appendix 13D Section 1(f) (i) and (ii)**

(2) where the Company's plan to issue domestic shares and overseas listed foreign invested shares at the time of incorporation is implemented within fifteen months from the date of approval by the securities regulatory institution under the State Council.

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

#### **Article 143**

The Company shall have a board of directors. The board of directors shall comprise nine directors. The board of directors shall have one chairman and one vice chairman. The chairman and vice chairman shall be elected by over half of the total number of directors.

**Mandatory Provision 86**

The board of directors shall be independent of the controlling entity ( which refers hereinafter to the controlling shareholder of the Company which is a company or business enterprise having legal person status).

**Opinion 1**

The board of directors shall have at least half of external directors (which refers hereinafter to directors not working in the Company), and independent directors shall comprise at least one-third of all directors (which refers hereinafter to directors independent of the Company's shareholders and not working in the Company).

**Opinion 6**

#### **Article 144**

Directors shall be elected or replaced at shareholders' general meeting, and could be dismissed by general meetings before the expiry of his or her term of office. The term of office for directors shall be three years. Upon the expiry of the term of office, a director shall be eligible for re-election and re-appointment.

**Mandatory Provision 87**

Directors shall be elected by the shareholders' general meeting from the candidates nominated by the board or shareholder (please refer to "Procedures for candidates for director election as

**CSRC Overseas Letter [1995] No. 1 (4)**

nominated by shareholders”). The period during which a written notice of intention to propose a person for election as director and a written notice by that person of his willingness to be elected are to be given to the Company shall be at least 7 days, such period shall commence on the day after the date when the notice of the general meeting convened for such election is dispatched and end no later than 7 days prior to the date of such meeting.

The chairman and vice chairman of the board of directors shall be elected and removed by more than one-half of all directors. The term of office of the chairman and vice chairman shall be 3 years and they shall be eligible for re-election and re-appointment.

Subject to relevant laws and administrative regulations, the Company in shareholders’ meeting shall have the power by ordinary resolution to remove any director (including the managing director or other executive directors) before the expiration of his term of office (but without prejudice to any claim for damages under any contract).

Any person appointed by the board of directors to fill up any temporary vacancy or as an additional director shall hold his position up to the date of next shareholders’ general meeting, and shall be eligible for re-election and re-appointment.

The senior managers of the controlling entity (chairman, vice chairman, executive directors) can also hold the positions of chairman, vice chairman or executive director, but the number shall not exceed two.

An external director shall have enough time and necessary knowledge or skills to exercise his duties. During the exercising of his duties, the Company shall provide the necessary information for this external director. Any independent director can directly report to the shareholders’ general meeting, the security supervisory authorities of the State Council and other relevant departments.

Directors need not hold any shares of the Company.

#### **Article 145**

The board of directors shall be accountable to the shareholders’ general meeting and shall have the following duties and powers:

- (1) To be responsible for convening shareholders’ meeting and to report its work to the shareholders’ meeting;
- (2) To implement the resolutions passed at the shareholders’ general meeting;
- (3) To determine the business plans and investment proposals of the Company;
- (4) To prepare the annual financial budget and final accounts of the Company;
- (5) To prepare the plans for profit distribution and plans for making up losses of the Company;
- (6) To prepare proposals for the increase or reduction of the registered capital of the Company and proposals for the issue of debentures of the Company;
- (7) To propose plans for the Company’s major acquisitions, the purchase of the Company’s stocks or the merger, division or dissolution, change of form of the Company;
- (8) Subject to the scope of authorization of the shareholders’ general meeting, to decide on matters including the Company’s overseas investment, purchase and disposal of assets, charging of assets, matters in relation to external guarantee, commissioned wealth management, and connected transactions;
- (9) To determine the establishment of the Company’s internal management organization;
- (10) To appoint or dismiss the general manager of the Company, secretary to the board of directors; appoint or dismiss members of the senior management including the Company’s senior managerial officers such as deputy managers and financial controller according to the nomination of the general manager, and determine matters in relation to their remunerations and sanctions; and to appoint, replace or nominate shareholders’ representatives, directors and supervisors of controlled subsidiaries and investee subsidiaries;

**HK Listing Rules Appendix 3 No. 4 Section 3, 4 and 5**

**CSRC Overseas Letter [1995] No. 1 (4)**

**HK Listing Rules Appendix 3 No. 4 Section 2**

**Opinion 1**

**Opinion 6**

**Mandatory Provision 88**

- (11) To formulate proposals for amendment of the Articles of Association of the Company;
- (12) To formulate the basic management system of the Company;
- (13) To manage the disclosure of information of the Company;
- (14) Subject to compliance with the relevant laws, regulations and these Articles of Association, to exercise the Company's financing and borrowing rights and determine on the charging, leasing, contracting or transfer of the Company's material assets, and authorize the general manager and deputy general managers to exercise such rights to a certain extent;
- (15) To seek the shareholders' approval in the general meeting for the appointment or change of the accounting firm for the Company's audit;
- (16) To consider and review the working report and the work of the president general manager of the Company;
- (17) Decide to repurchase of the Company's share(s) under the circumstances stated in clauses (3), (5) and (6) of Article 35 of these Articles;
- (18) To perform other duties and exercise other powers which are set out in laws, administrative regulations, departmental rules or the Articles of Association.

Resolutions by the board of directors on matters referred to in the preceding paragraphs may be passed by the affirmative votes of more than half of all directors with the exception of resolutions on matters referred to in clauses (6), (7) and (11) which shall be passed by more than two-thirds of all directors. The resolutions made by the board of directors under clause (17) of these Articles shall require more than two-thirds of directors present.

In determining about the Company's connected transactions, such transaction shall become effective only after execution by the independent (non-executive) directors. The opinions of the independent (non-executive) directors shall be recorded in the resolution of board of directors.

**Article 146**

The board of directors shall explain to the general meeting regarding the non-standard auditors' advice given by certified accountant in relation to the financial report of the Company.

**Articles of Listed Companies Guideline 108**

**Article 147**

The board of directors shall formulate the rules of procedure for meetings of the Board to ensure the implementation by the Board of the resolutions of general meeting, to improve efficiency and to have scientific decision-making.

**Articles of Listed Companies Guideline 109**

**Article 148**

The board of directors shall define the scope of external investment, purchases and sales of assets, assets pledge, external guarantee issue, committed wealth management, connected transaction and set up stringent procedures in review and decision making. In formulating a comprehensive investigation, specialists and professionals should be gathered to assess the major investment project and seek shareholders' approval in general meeting.

**Articles of Listed Companies Guideline 110**

**Article 149**

Where there is a disposition of fixed assets by the board of directors and the aggregate of the expected value of the consideration for the proposed disposition and the value of the consideration for any disposition of fixed assets made within 4 months immediately preceding the proposed disposition exceeds 33 per cent of the value of the fixed assets as shown in the latest balance sheet reviewed by the shareholders' general meeting, the board of directors shall not dispose or agree to dispose of the fixed assets without the prior approval of shareholders' general meeting.

**Mandatory Provision 89**

In this Article, 'disposition of fixed assets' includes an act involving transfer of an interest in property other than the pledge of fixed assets for security.

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

In making decisions concerning market development, mergers and acquisitions, and investments in new frontiers, if the value of such investments, mergers and acquisitions amounts to more than 10% of the Company's total assets, the board of directors shall engage relevant experts and professionals to examine and appraise which will form an important basis for the board's decision.

**Opinion 4**

#### **Article 150**

The chairman of the board of directors shall exercise the following powers:

**Mandatory  
Provision 90**

- (1) To preside over the shareholders' general meetings and to convene and preside over the meetings of the board of directors;
- (2) To review the implementation of the resolutions of the board of directors;
- (3) To sign share certificates and debentures of the Company;
- (4) To sign important documents of director board and other documents signed by Company's legal representative;
- (5) To exercise the duties and rights on behalf of legal representative;
- (6) In the event of emergency situations such as the occurrence of large-scale natural disasters, to take special steps in handling the Company's business according to the laws and the Company's interest; and to report to the Company's board of directors and shareholders' general meeting afterwards;
- (7) Other powers conferred by the board of directors.

Where the chairman of the board of directors is unable to perform his duties, the vice-chairman designated by the chairman shall perform the duties on his behalf. Where the vice-chairman is unable to or does not perform the duty, a director nominated by more than half of the directors shall perform the duty.

**Articles of  
Listed  
Companies  
Guideline  
113**

#### **Article 151**

Special committees shall be set for the board of directors. Special committees, including the Audit Committee, the Nomination Committee, the Remuneration and Evaluation Committee and the Strategy Committee, shall be set for the board of directors.

Such special committees shall be accountable to the Board and perform duties in accordance with the Articles and the authorization of the board of directors. The proposal shall be proposed and reviewed by the board. Such special committees comprise only directors. The independent directors in each of the Audit Committee, Nomination Committee and Remuneration and Assessment Committee shall form the majority in such committees and the convener of such committees shall be an independent director. The convener of the Audit Committee shall be an accounting professional.

The Board is responsible for making the work rules of such special committees, and the regulation of such special committees' operations.

The duties of these special committees shall be determined as per the relevant State provisions and resolutions of the board of directors, and exercised after the approval of shareholders' general meeting resolutions.

##### **(I) Main duties of audit committee**

1. To check the Company's accounting policies, financial conditions and financial report procedures;

2. To recommend any accounting firm to communicate with external auditing organizations and over auditing procedures;
3. To check the internal control structure and internal audit functions;
4. To examine the Company's internal control;
5. To check or supervise the existing or potential risks (including the risks of logistics, funding, guarantees, investments, default of senior managerial officers and safety of computer system);
6. To check the conditions of Company in compliance with the laws and other legal obligations;
7. To check and supervise the Company's rules of behaviors;
8. Other functions as designated by the board of directors.

(II) Main duties of the nomination committee

1. To analyze the structure of the board of directors, clearly define the requirements on directors, and make proposal on the scale and structure of the board of directors;
2. To formulate the standards and procedures for directors' election;
3. To search for any eligible candidates of directors or senior managers extensively, and nominate such candidates for the board of directors and senior management;
4. To examine the candidates for directors nominated by the shareholders or supervisory committee;
5. To determine the candidates for directors for voting of shareholders' general meeting.

(III) Main duties of the remuneration and assessment committee

1. To be responsible for formulating the examining and appraisal standards of directors, supervisors and senior management, and perform such examination;
2. To be responsible for formulating and checking the remuneration policies and plans of directors, supervisors and senior management.

(IV) Major responsibilities and authorities of the Strategy Committee:

1. Conduct research and make proposals on the strategic planning for long - term development of the Company;
2. Conduct research and make proposals on major investment and financing plans that require approval from the Board under the Articles of Association;
3. Conduct research and make proposals on major capital operation and asset management projects that require approval from the Board under the Articles of Association;
4. Conduct research and make proposals on other major issues affecting the development of the Company, including research and development of major products and technologies of the Company , major business programs or plans, and key strategic cooperation arrangements;



5. Excusive the implementation of the above matters;
6. Other matters delegated by the Board.

#### **Article 152**

Meetings of the board of directors shall be held at least four times a year and shall be convened by the chairman of the board of directors and notice of meeting shall be served on all directors 10 days prior to the meeting.

**Mandatory  
Provision 91**

In case of the following conditions, the chairman of the board of directors shall hold a provisional board meeting within five days after proposal is:

- (1) Jointly proposed by at least one third of the directors;
- (2) Proposed by the supervisory committee;
- (3) Proposed by at least one tenth of shareholders with voting right;
- (4) Proposed by at least half of the independent directors;
- (5) Proposed by the general manager.

The reasonable expenses of directors attending the meeting of directors shall be paid by the Company. These expenses include the travelling expenses from the places of directors to place of meeting (if the place of director is different from the place of meeting), accommodation during the meeting period, rental of the venue and travelling expenses to and from the venue.

#### **Article 153**

The board meeting notice should include:

- (1) date and place of the meeting;
- (2) duration of the meeting;
- (3) subject and business to be transacted;
- (4) the issuing date of the notice.

**Articles of  
Listed  
Companies  
Guideline  
117**

#### **Article 154**

The board meeting and provisional board meeting shall be notified in the following manner:

**Mandatory  
Provision 92**

(1) If the time and place of the regular meetings of the board of directors have been fixed by the board of directors in advance, no notice to convene the same has to be given.

(2) If the time and place of the board meeting has not been fixed in advance by the board of directors, the chairman shall notify the directors of the time and place of the meeting of the board of directors not less than 10 days before the meeting by way of telex, telegram, facsimile, express courier or registered mail or by hand.

(3) In case of holding the board meeting in emergency, the chairman shall order the secretary to the board to notify all the directors and supervisors of the time and place of the extraordinary meeting of the board of directors not less than 5 days before the meeting by way of telex, telegram, facsimile, express courier or registered mail or by hand. For emergency where a provisional board meeting shall be held as soon as possible, notice of board meeting can be made through telephone

or other verbal means, but the convener shall elaborate on it at the board meeting.

(4) Notices shall be written in Chinese and if necessary can attach an English copy. Such notices shall include the agenda of the meeting. Any director may waive the right to receive notices of board meetings.

#### **Article 155**

If the director has attended the meeting, and has not received any objection of meeting notice before the meeting or at the beginning of meeting, it shall be considered that the notice has been sent to him.

#### **Article 156**

The meeting of directors or provisional meeting can be held by telephone or similar communicating equipment. So long as the directors attending the meeting can hear the speech of other directors and communicate with each other, all the directors attending the meeting shall be recognized that they have attended the meeting themselves.

#### **Article 157**

Meetings of the board of directors shall only be held if half or more of the directors are present at the meeting (including the directors assigned as per Article 158 of the Articles of Association).

**Mandatory  
Provision 93**

Each director shall have one vote. Unless stated in the Articles of Association, the resolutions of the board of directors shall be passed by more than half of the directors.

**Opinion 3**

If more than one fourth of the directors or two external directors think that the information of matters discussed is not sufficient or provided with unclear proofs, such part of the matters for discussion can be postponed or delayed under joint proposal to the board of directors, and the board of directors shall accept this proposal.

**HK Listing  
Rules  
Appendix 3  
No. 4 Section  
1**

When any director or his associate has interest in a matter to be resolved by the directors, such director shall not participate in the discussion and abstain from voting. In counting the quorum for attending the board meeting, such director shall not be counted.

**Articles of  
Listed  
Companies  
Guideline  
119**

Resolutions of the board meeting shall be passed by more than half of the uninterested directors. In case there were less than three uninterested directors attending the meeting, such matter shall then be put forth to the shareholders' general meeting for consideration.

#### **Article 158**

Directors shall attend the meetings of the board of directors in person. Where a director is unable to attend a meeting for any reason, he/she may, by a written power of attorney, appoint another director to attend the meeting on his/her behalf. The power of attorney shall set out the name of the attorney, issues under authorization, scope of authorization and valid period, which will be signed or sealed with the chop by the appointing director.

**Mandatory  
Provision 94**

If the director is unable to attend the board meeting, he shall not transfer his voting rights, and he can authorize any other director to attend on behalf of him in writing, but he shall undertake the legal responsibilities independently.

**Opinion 3**

A director appointed to attend the meeting on behalf of another director shall exercise the rights of a director within his scope of authority. If a director is unable to attend a meeting of the board of directors and has not appointed a representative to attend the meeting on his behalf, he shall be deemed to have waived his rights to vote at that meeting.

#### **Article 159**

If a director fails to attend meeting in person nor authorize another director to attend on his behalf

**Articles of  
Listed  
Companies  
Guideline 99**

for two consecutive times, he shall be deemed as not performing his duties, and the board of directors shall propose to the general meeting for replacement.

#### **Article 160**

A director may resign before expiry of his/her term of service. When a director resigns, he shall submit a written resignation notice to the Board. The board shall make relevant disclosure within 2 days.

If the member of directors falls below the minimum statutory requirement due to a director's resignation, the former directors shall still perform their duties as directors in accordance with the requirements of laws, administrative regulations, departmental rules and the Articles of Association before the appointment of the re-elected directors.

Save for the circumstances referred to in the preceding paragraph, the director's resignation takes effect upon delivery of his/her resignation report to the board.

#### **Article 161**

When a director's resignation takes effect or his/her term of service expires, the director shall complete all transfer procedures with the Board. His/her duties towards the Company and the shareholders do not necessarily cease before the resignation letter becomes effective or within twelve months after it has become effective or after the end of his/her term of service in accordance with these Articles of Association.

**Articles of  
Listed  
Companies  
Guideline  
101**

#### **Article 162**

Unless legally authorized by the Articles of Association or the board, no director shall act on behalf of the Company or the board. When a director acts in his/her own name and a third party reasonably considers such director acts on behalf of the Company or the board, such director shall declare in advance his/her position and capacity.

**Articles of  
Listed  
Companies  
Guideline  
102**

#### **Article 163**

Independent directors shall be appointed in accordance with the relevant provisions of law, administrative regulations and departmental rules.

**Articles of  
Listed  
Companies  
Guideline  
104**

#### **Article 164**

For matters requiring resolution of the provisional board meeting, when the content of the resolution to be proposed is given to all directors in writing, and the number of directors signed with consent reaches the required number of directors as specified in Article 145 and Article 157 of this chapter, a valid resolution can be formed without any board meeting held.

#### **Article 165**

The board of directors shall cause the matters resolved at the meeting to be recorded in the minutes of the meeting. The directors present at the meeting and the person recording the minutes shall sign on such minutes. The opinions of independent directors shall be specified in the board resolution. The directors are liable for the resolutions passed at the meeting of the board of directors. If a resolution of the board of directors contravenes the laws, administrative regulations or these Articles of Association as a result of which the Company sustains substantial losses, the directors participating in the passing of such resolutions shall be liable to compensate the Company provided that if it can be proved that a director expressly objected to the resolution when the resolution was put to vote and that such objection was recorded in the minutes of the meeting, such director may be exempted from such liability. If the board resolution is in breach of laws, administrative regulations or the Articles of Association, the director giving an affirmative vote shall bear the direct responsibilities; the director who gives an objection and a negative vote in the meeting minutes can be exempt from the responsibilities; the director who has abstained voting or has not attended the meeting nor authorized another person to attend the meeting shall not be exempt from the responsibilities; the director who gives a definite objection during the discussion but no negative votes shall not be exempt from the responsibilities.

**Mandatory  
Provision 95**

**Opinion 3**

**Opinion 6**

The board minutes shall be maintained in the filing of the Company for at least 10 years.

**Article 166**

The minutes of a board meeting shall include the following contents:

- (I) Date and place of the meeting and name of the convener;
- (II) Names of the directors attending the meeting and names of the directors (proxies) appointed by others to attend the board meeting;
- (III) Agenda of the meeting;
- (IV) Main points of directors' speeches;
- (V) Method and results of the voting for each proposal (the voting result should specify the number of votes for and against the proposal or abstention).

**Articles of Listed Companies Guideline 123**

**Chapter 11 Secretary to the Board of Directors**

**Article 167**

The Company shall have a secretary to the board of directors. who shall be a senior officer of the Company and shall be accountable to the Company and the board of directors. The board of directors shall set its secretary office according to its needs.

**Mandatory Provision 96**

**Article 168**

The secretary to the board of directors of the Company shall be a natural person who shall have the necessary professional knowledge and experience and who shall be selected, appointed and dismissed by the board of directors. Appointment or dismissal of the secretary to the board of directors shall be approved by the board of directors at a meeting but shall not in the form of circulation of written resolution. His principal duties are:

**Opinion 1**

**Mandatory Provision 97**

**Opinion 3**

- (1) Responsible for documents keeping, to ensure the Company has complete constitutional documents and records;
- (2) To ensure that the Company prepares and files documents and reports as required by authorities in accordance with laws;
- (3) In charge of information of the Company's shareholders, to ensure that the register of shareholders of the Company is properly maintained and that persons entitled to receive such records and documents are provided with the relevant records and documents without delay;
- (4) To be responsible for the disclosure of information of the Company, and ensure the timeliness, accuracy, legality, truth and integrity of the disclosure of information of the Company;
- (5) To organize recording and collating the discussed matters of the general meeting and board meeting, sign on the resolutions of meeting, and ensure the accuracy of meeting minutes;
- (6) Other duties specified by the Articles of Association and the listing rules of the stock exchange where the Company's shares are listed.

**Articles of Listed Companies Guideline 134**

The secretary to the board of directors shall receive professional training, pass examination and obtain qualification certificate of the stock exchange and shall be appointed by the Board and reporting to the stock exchange for record and announced publicly; the secretary to the board of directors without such certificate shall be appointed by the Board upon the stock exchange's approval.

**Article 169**

A director or other senior management member of the Company may also act as the secretary to the board of directors of the Company.

The senior management of the controlling shareholder and beneficial controller of the Company shall not serve as the secretary to the board of directors concurrently.

Where the office of secretary to the board of directors of the Company is held concurrently by a director, and an act is required to be done by a director and the secretary to the board of directors of the Company separately, the person who holds the office of director and secretary to the board of directors of the Company may not perform the act in a dual capacity.

While the board of directors engages a secretary, it shall also engage at least one securities administrative representative, who shall perform the duty of the secretary while the secretary is incapable of performing his/her duty. Such securities administrative representative shall have the required qualifications as the secretary, obtained qualification certificates by taking professional training course and passing the qualification examination organized by stock exchange.

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

### **Article 170**

The Company shall have one general manager who shall be appointed or dismissed by the board of directors. The term of office for the general manager shall be three years, upon the expiry of the term of office, the general manager shall be eligible for re-election and re-appointment.

**Mandatory  
Provision 99**

The Company shall have certain deputy general managers and one financial controller to assist in general manager's work, who shall be nominated by the general manager and appointed or dismissed by the board of directors.

**Opinion 1**

Senior management of the Company shall not take up executive positions in the controlling shareholder of the Company except for the role of a director or supervisor. Any member of the senior management of the Company's controlling shareholder who serve concurrently as a director or supervisor of the Company shall ensure that he/she has sufficient time and effort to work for the Company.

### **Article 171**

The general manager shall be accountable to the board of directors and shall perform the following functions:

**Mandatory  
Provision  
100**

(1) To be in charge of the production and business operation of the Company, to organize the implementation of the resolutions of the board of directors and submit the report to the board of directors;

(2) To organize the implementation of the annual business plan and investment proposals of the Company;

(3) To prepare plans for the establishment of the internal management organs of the Company;

(4) To formulate the basic management system of the Company;

(5) To formulate basic rules and regulations of the Company;

(6) To propose the appointment or dismissal of the deputy general manager(s) and other senior managerial officers (including financial controller) of the Company;

(7) To appoint or dismiss principal management personnel other than those required to be appointed or dismissed by the board of directors;

(8) To determine reward and punishment, upgrading or downgrading, salary increase and

**Articles of  
Listed  
Companies  
Guideline  
120**

reduction, employment, appointment, contract termination or dismissal of the Company's employees;

(9) To handle important issues on the behalf of the Company under the authorization of the board of director;

(10) Other powers conferred by these Articles of Association of Association and/or the board of directors.

#### **Article 172**

The scope of work of the general manager shall be defined by the general manager and such scope of work shall be reported to the board of directors for approval and to be carried out upon approval.

**Articles of  
Listed  
Companies  
Guideline  
129**

#### **Article 173**

The scope of work of the general manager includes the followings:

- (1) The conditions, procedures and participants of the general manager meeting;
- (2) The specific duties and each respective division of general manager and other senior officers;
- (3) The deployment of the Company's funds and assets, the limits of authority for the execution of material contracts and reporting system to the board of directors and supervisory committee;
- (4) Other business considered necessary by the board of directors.

**Articles of  
Listed  
Companies  
Guideline  
130**

#### **Article 174**

The general manager may resign before expiry of his term of office. The specific procedures and methods for the resignation of the general manager shall be specified in the employment contract concluded by the general manager and the Company.

**Articles of  
Listed  
Companies  
Guideline  
131**

#### **Article 175**

The deputy general manager is in charge of part of work on behalf of the general manager, assist the general manager and accountable to the general manager, and shall perform the following duties and functions:

**Articles of  
Listed  
Companies  
Guideline  
132**

- (1) Carry out the decisions of the general manager, assist the general manager in charge of activities of production, technology and quality, human resources and administration and finance, major project construction, marketing and sales of products, supplies operation and management, etc. and shall be accountable to the general manager;
- (2) Decide and organize the annual plan for division of work, and responsible for the setting up, implementation, tracking and examination of the business plan he is in charge of;
- (3) Organize the development program and implementation plan of division of work, formulate the organization plan and rules of management;
- (4) Check the execution of significant amount of the contract and agreement of division of work;
- (5) Sign the relevant business documents within its scope of responsibility;
- (6) In the absence of the general manager, act on behalf of the general manager.

#### **Article 176**

The general manager may attend the meeting of the board of directors, but the general manager, not being a director, shall not have the right to vote at the meeting of the board of directors.

#### **Article 177**

In performing their duties, the General Manager and the deputy general manager(s) shall not alter the resolutions of the meeting of the shareholders or of the board of directors or exceed the scope of his authority.

#### **Article 178**

In performing their duties, the general manager and the deputy general managers of the Company shall act in good faith and diligently according to laws, administrative regulations and these Articles of Association of Association.

**Mandatory Provision 102**

### **Chapter 13 Supervisory Committee**

#### **Article 179**

The Company shall establish a supervisory committee. It is a common practice for a company to set up a supervisory committee as its supervisory organization. It is responsible for supervising the board of directors, its members and senior managers including general manager and deputy general manager, etc, and preventing any of such persons from abusing his rights and duties or invading the legal interests of shareholders, the Company and its employees.

**Mandatory Provision 103**

#### **Article 180**

The supervisory committee shall comprise three supervisors, one of whom shall act as the chairman of the supervisory committee. The term of office of the supervisors shall be three years, after which the supervisors shall be eligible for re-election and re-appointment.

**Mandatory Provision 104**

The appointment and dismissal of the chairman of the supervisory committee shall be determined by a resolution passed by two-thirds or more of the members of the supervisory committee.

**CSRC Overseas Letter [1995] No. 1 (5)**

The chairman of the supervisory committee convenes and presides a meeting of the supervisory committee. If the chairman is unable or fails to discharge his duty, a supervisor shall be nominated and elected by more than half of the supervisors to convene and preside the meeting.

**HK Listing Rules Appendix 13D Section 1d(i)**

The term of office of the chairman of the supervisory committee shall be three years, after which the chairman shall be eligible for re-election and re-appointment.

**Articles of Listed Companies Guideline 143**

#### **Article 181**

If the term of the supervisors has expired and the new supervisory committee has not been elected, or the number of supervisors is below the statutory requirements due to resignation of supervisors, the current supervisors shall perform their duties according to laws, administrative regulations and the Articles of Association.

**Articles of Listed Companies Guideline 138**

#### **Article 182**

The supervisory committee shall comprise two external supervisors (independent supervisors) and one staff representative of the Company. The staff representative shall be elected and removed as supervisor at the staff congress, staff meeting or in other democratic forms by the staff of the Company. External supervisors shall be elected and removed at the general meeting.

**Mandatory Provision 105**

External supervisors (i.e. supervisors who do not hold any position in the Company) shall comprise one half or more of the supervisory committee and at least two of whom shall be independent supervisors (i.e. supervisors who are independent of shareholders and do not hold any position in the Company). External supervisors are entitled to report on the integrity and diligence of the Company's management to the general meeting independently.

**Opinion 7**

#### **Article 183**

**Mandatory Provision 106**

The directors, general managers, deputy general managers, financial controllers and secretary of the board of directors of the Company shall not concurrently serve as supervisors.

#### **Article 184**

The supervisors shall guarantee the authenticity, accuracy and completeness of the information disclosed by the Company.

**Articles of Listed Companies Guideline 139**

#### **Article 185**

The supervisors may attend the board meeting as non-voting delegate, and make inquiry or proposal in respect of the board resolutions.

**Articles of Listed Companies Guideline 140**

#### **Article 186**

A meeting of the supervisory committee shall be held at least every six months and shall be convened by the chairman of the supervisory committee. A supervisor may request to convene an extraordinary supervisory committee meeting.

**Mandatory Provision 107**

#### **Article 187**

The supervisory committee shall carry out the following duties:

**Mandatory Provision 108**

(1) To audit the periodical reports of the Company prepared by the board of directors and express their opinions in writing;

(2) To inspect the financial status of the Company;

(3) To supervise the performance of duties of the directors and senior management and propose to remove such directors and senior management who violate the laws, administrative regulations, the Articles of Association or the resolutions passed at the general meetings;

(4) If an act of the directors and senior management is prejudicial to the interests of the Company, to request them to rectify such act;

(5) To propose to convene an extraordinary general meeting and, if the board of directors fails to perform its duty to convene and chair a general meeting according to the Company Law, to convene and chair the general meeting;

(6) To put forward proposals to a general meeting;

(7) To initiate legal proceedings against directors or senior management in accordance with Article 151 of the Company Law;

(8) To investigate any irregularities in the operation of the Company and to engage accounting firms, law firms and other professional institutions to assist in the investigation when necessary at the expense of the Company.

(9) To attend meetings of the Board;

(10) Other duties and powers required under the Articles of Association or authorized in the general meeting.

#### **Article 188**

The procedure of meetings of the supervisory committee shall be as follows:

For regular meetings and extraordinary meetings of the supervisory committee, a notice of meeting shall be given to all supervisors 10 and 5 days respectively prior to the date of meeting through direct delivery, facsimile, email or other ways.

**Mandatory Provision 109 CSRC Overseas Letter [1995] No. 1 (6) HK Listing Rules Appendix 13D Section 1d(ii)**



In the event of emergency requiring convening extraordinary meetings of the supervisory committee, a notice of meeting can be issued through telephone or other verbal means, but the convener should make explanations in the meeting.

A resolution of the supervisory committee shall be passed by two-thirds or more of the supervisors.

#### **Article 189**

Reasonable expenses incurred in engaging professionals such as lawyers, certified public accountants and practicing auditors in the course of discharging the duties of the supervisory committee shall be borne by the Company.

**Mandatory  
Provision 110**

#### **Article 190**

The supervisory committee shall formulate rules of procedure for meetings of the supervisory committee and shall clarify methods for business discussions and voting procedures to ensure the work efficiency and scientific decision making of the supervisory committee.

**Articles of  
Listed  
Companies  
Guideline  
146**

The rules of procedure for meetings of the supervisory committee shall be appendix to the Articles of Association and shall be formulated by the supervisory committee and approved by the general meeting.

#### **Article 191**

The supervisory committee shall file resolutions as meeting minutes, which shall be signed by the attending supervisors and the recorder. Any supervisor shall have the right to have an explanatory note made in the minutes regarding his speech at the meeting. The minutes of meetings of the supervisory committee shall be kept by the secretary of the board of directors as archives of the Company for at least 10 years.

The notice of meetings of the supervisory committee shall specify:

- (1) the date, venue and duration of the meeting;
- (2) the reasons and agenda of the meeting;
- (3) the date of notice given.

#### **Article 192**

Supervisors shall carry out their supervisory duties in good faith in accordance with laws, administrative regulations and the Articles of Association.

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

#### **Article 193**

A person may not serve as a director, supervisor, general manager, deputy general manager or other senior management of the Company if any of the following circumstances apply:

**Mandatory  
Provision 112**

- (1) The person lacks civil capacity or such capacity is otherwise being restricted;
- (2) The person has been convicted of an offence of corruption, bribery, misappropriation or embezzlement of properties or disrupting the economic order of the socialist market, and less than 5 years have elapsed since the expiration of the enforcement period; or the person has been

deprived of political rights due to conviction and less than 5 years have elapsed since the expiration of the enforcement period;

(3) The person is a former director or factory manager or manager of a company or an enterprise which has become insolvent as a result of improper operation and management and such person is personally liable for the insolvency of such company or enterprise, where less than three years have elapsed since the date of completion of the insolvency and liquidation of such company or enterprise;

(4) The person was the legal representative of a company or an enterprise whose business license has been revoked as a result of the violation of the laws and who is personally liable, where less than three years have elapsed since the date of revocation of the business license of such company or enterprise;

(5) The person has a relatively large amount of personal indebtedness which is due and outstanding;

(6) The person is under criminal investigation by the judicial authorities due to violation of criminal laws, where such investigation is still pending;

(7) The person is currently being barred by the China Securities Regulatory Commission from participating in the securities market;

(8) The person is a non-natural person;

(9) The person has been convicted of offences under the provisions of the relevant securities regulations by a relevant supervisory authority which involved fraud or dishonest acts and where less than five years have elapsed since the date of such conviction.

(10) Other contents set by the laws, administrative regulations or departmental rules.

#### **Article 194**

The validity of an act of a director, general manager, deputy general manager and other senior management of the Company acting on behalf of the Company vis-a-vis a bona fide third party shall not be affected by the irregularities in the appointment, election or qualification of such person.

#### **Article 195**

In addition to the obligations required by the laws, administrative regulations or listing rules of the stock exchanges on which the Company's shares are listed, the director, supervisor, general manager, deputy general manager and other senior management shall bear the following obligations for each shareholder during the implementation of duties and rights given by the Company:

**Mandatory  
Provision 114**

(1) Not make the Company exceed the business scope specified by its business license;

(2) Act honestly and in the best interests of the Company;

(3) Not to expropriate the Company's property in any way, including (without limitation) usurpation of opportunities which benefit the Company;

(4) Not deprive of the personal rights and interests of shareholders, including but not limited to distribution rights or voting rights, save and except for the reorganization approved by the shareholders' general meeting in accordance with the Articles of Association.

#### **Article 196**

In exercising his rights or discharging his duties, the director, supervisor, general manager, deputy general manager and other senior management owes a duty to exercise the care, diligence and skill of a reasonable and prudent person acting under similar circumstances.

**Mandatory  
Provision 115**

The board of directors should periodically review the time required for directors to perform their duties for the Company and whether each director has provided sufficient time to perform his

duties. Directors should also provide their training records to the Company.

#### **Article 197**

In discharging his duties, a director, supervisor, general manager, deputy general manager and other senior management of the Company shall observe the fiduciary principle and shall not put himself in a position where his personal interests and his duties may conflict. Such principle shall include but not be limited to, the undertaking of the following obligations:

**Mandatory  
Provision 116**

- (1) To act honestly in the best interests of the Company;
- (2) To exercise powers within, and not to exceed the scope of, his authority;
- (3) To exercise the discretionary power vested in him personally and not allow himself to act under the direction of another person and, unless and to the extent permitted by law or administrative regulations or the informed consent of the shareholders' general meeting, not to delegate the exercise of his discretion;
- (4) To treat the shareholders of the same class equally and to treat the shareholders of different classes fairly;
- (5) Unless otherwise provided herein or with the informed consent of the shareholder's general meeting, not to enter into contracts, transactions or arrangements with the Company;
- (6) Without the informed consent of the shareholder's general meeting, not to use the property of the Company in any manner for his own benefit;
- (7) Not to exploit his position to accept bribes or other unlawful income and not to expropriate the Company's property in any way, including (without limitation) usurpation of opportunities which benefit the Company;
- (8) Without the informed consent of the shareholder's general meeting, not to accept any commission in connection with the transactions of the Company;
- (9) To abide by these Articles of Association of Association, to perform his duties faithfully, to protect the interests of the Company, and not to pursue personal benefits by exploiting his position and authority in the Company;
- (10) Not to compete in any way with the Company unless with the informed consent of the shareholder's general meeting;
- (11) Not to misappropriate the funds of the Company or to lend the funds of the Company to others; not to deposit the assets of the Company in the accounts opened under his own name or the name of other persons; not to use the assets of the Company as security for the liabilities of the shareholders of the Company or any other persons;
- (12) Without the informed consent of the shareholder's general meeting, not to disclose any confidential information of the Company acquired during his term of office, nor shall he use such information otherwise than for the Company's benefit, save that such information may be disclosed to a court of law or other governmental authorities under the following situations:
  1. Disclosure is required by law;
  2. Disclosure is required in the public interest;
  3. Disclosure is required in the interests of such director, supervisor, general manager, deputy general manager and other senior management.

#### **Article 198**

A director, supervisor, general manager, deputy general manager and other senior management of the Company shall not cause following persons or organizations ("associates") to do what he is prohibited from doing:

**Mandatory  
Provision 117**

(1) The spouse or the minor child of the director, supervisor, general manager, deputy general manager and other senior management;

(2) A trustee of the director, supervisor, general manager, deputy general manager and other senior management or of the persons mentioned in paragraph (1) of this Article;

(3) A partner of the director, supervisor, general manager, deputy general manager and other senior management or of the persons mentioned in paragraphs (1) and (2) of this Article;

(4) Companies actually and solely controlled by the director, supervisor, general manager, deputy general manager and other senior management, or companies actually and jointly controlled by the persons referred to in paragraphs (1), (2) and (3) of this Article or the director, supervisor, general manager, deputy general manager and other senior management of the Company;

(5) The director, supervisor, general manager, deputy general manager and other senior management of the companies being controlled as mentioned in paragraph (4) of this Article.

#### **Article 199**

The fiduciary duties of a director, supervisor, general manager, deputy general manager and other senior management of the Company do not necessarily cease upon the expiry of his term of office. The obligations to keep the trade secrets of the Company confidential shall survive the expiry of his term of office. Other obligations may continue for such period as the principle of fairness may require depending on the length of the time between its occurrence and his departure from office and the circumstances and conditions under which his relation with the Company was terminated.

**Mandatory  
Provision 118**

#### **Article 200**

The liability of a director, supervisor, general manager, deputy general manager and other senior management of the Company in respect of the breach of certain specific obligations may be discharged with the informed consent of the shareholder's general meeting except for the circumstances provided for in Article 64 of these Articles of Association of Association.

**Mandatory  
Provision 119**

A director should promptly inform the board of directors of any change in his major commitment.

#### **Article 201**

In the event that a director, supervisor, general manager, deputy general manager and other senior management of the Company is interested materially, directly or indirectly, in a contract, transaction or arrangement made or proposed to be made with the Company (except for the service contract of the director, supervisor, general manager, deputy general manager and other senior management with the Company), he shall disclose to the board of directors the nature and extent of his interest at the earliest opportunity, whether or not the relevant matters are subject to the approval by the board of directors in normal circumstances.

**Mandatory  
Provision  
120**

Unless under the exceptional circumstances specified in the articles of association as approved by the Hong Kong Stock Exchange, directors shall not vote on any resolutions of the board of directors in respect of any contract or arrangement or any other proposal in which he or his associates have a material interest, and such directors shall not be counted in the quorum; provided that the following circumstances are not subject to the above:

**HK Listing  
Rules  
Appendix 3  
No. 4  
Section 1**

- (1) 1. the provision of any security or indemnity to the director or his associates in respect of money lent or obligations incurred or undertaken by him or his associates for the benefit of the issuer or any of its subsidiaries; or
  2. the giving of any security or indemnity to a third party in respect of a debt or obligation of the issuer or any of its subsidiaries for which the director or his associate(s) has himself/themselves provided in whole or in part and whether alone or jointly a guarantee or indemnity or the giving of security;
- (2) Any proposal concerning an offer of shares or debentures or other securities of or by the issuer or any other company, which the issuer may promote or be interested in, for

subscription or purchase where the director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

- (3) Any proposal made by any other company in which the director or his associate(s) is/are interested, whether directly or indirectly (as an officer or executive or shareholder); or in which the director or his associate(s) is/are beneficially interested in shares of that company, provided that such Director and any of his associates are not beneficially interested in 5% or more of the issued shares of any class of such company (or of any third company through which his interest or that of his associates is derived) or of the voting rights;
- (4) Any proposal or arrangement concerning the benefit of the employees of the issuer or its subsidiaries including:
  1. The adoption, modification or operation of any employees' share scheme or any share incentive or share option scheme under which any director may benefit; or
  2. The adoption, modification or operation of a provident fund or pension fund, death or disability benefits scheme in relation to the directors, his associates and employees of the issuer or any of its subsidiaries, which does not provide in respect of any director or his associates, with such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
- (5) Any contract or arrangement in which the director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the issuer by virtue only of his/their interest in shares or debentures or other securities of the issuer.

Unless the director, supervisor, general manager, deputy general manager and other senior management of the Company so interested has disclosed such interest to the board of directors as required in this Article and the board of directors has approved the same in a meeting in which he has not been counted in the quorum and has refrained from voting, the Company shall have the right to revoke such contract, transaction or arrangement except as against a bona fide party without notice of the breach of the duty by the director, supervisor, general manager, deputy general manager and other senior management concerned.

If any associate of a director, supervisor, general manager, deputy general manager and other senior management of the Company is interested in certain contracts, transactions or arrangements, such director, supervisor, general manager, deputy general manager and other senior management shall also be deemed as interested in the same.

#### **Article 202**

If, before the Company first considers the entering into of the relevant contract, transaction or arrangement, a director, supervisor, general manager, deputy general manager and other senior management of the Company gives written notice to the board of directors, stating that by reasons of the facts contained in the notice, he is interested in such contract, transaction or arrangement to be entered into by the Company subsequently, such director, supervisor, general manager, deputy general manager and other senior management shall be deemed to have made such disclosure as stipulated in the preceding Article herein to the extent as stated in the notice.

**Mandatory  
Provision  
121**

#### **Article 203**

The Company shall not in any manner pay taxes for any of its directors, supervisors, general manager, deputy general manager and other senior management.

**Mandatory  
Provision  
122**

#### **Article 204**

No loans or guarantees for loans shall be provided, directly or indirectly, by the Company to a director, supervisor, general manager, deputy general manager and other senior management of the Company or of its parent, nor shall such loans or guarantee for loans be provided to the associates of the above-mentioned persons.

**Mandatory  
Provision  
123**

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

The Company provides loans or guarantee for loans to its subsidiaries.

#### **Article 205**

If the provision of a loan made by the Company is in breach of the provisions of the preceding Article, the recipient of the loan should repay the same forthwith regardless of the terms of such loan.

**Mandatory  
Provision  
124**

#### **Article 206**

Guarantees for loans provided by the Company in breach of the provisions of paragraph 1 of Article 204 shall be unenforceable against the Company except under the following situations:

**Mandatory  
Provision  
125**

- (1) At the time when the loans were made to the associates of the director, supervisor, general manager, deputy general manager and other senior management of the Company or those of its parent, the lender has no knowledge of the circumstances;
- (2) The security provided by the Company has been legally sold by the lender to a bona fide purchaser.

#### **Article 207**

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

**Mandatory  
Provision  
126**

#### **Article 208**

Where a director, supervisor, general manager, deputy general manager and other senior management of the Company is in breach of his obligations to the Company, the Company shall apart from the various rights and remedies provided by laws and administrative regulations be entitled to take the following measures:

**Mandatory  
Provision  
127**

- (1) To demand the relevant director, supervisor, general manager, deputy general manager and other senior management to pay damages for the losses sustained by the Company as a result of the dereliction of duties on his part;
- (2) To revoke any contract or transaction made between the Company and the relevant director, supervisor, general manager, deputy general manager and other senior management, and a contract or transaction made between the Company and a third party (if such third party knows or should have known that the director, supervisor, general manager, deputy general manager and other senior management representing the Company are in breach of the obligations to the Company);
- (3) To demand the relevant director, supervisor, general manager, deputy general manager and other senior management to account for the profits obtained by him as a result of the breach of the obligations;
- (4) To recover from the relevant director, supervisor, general manager, deputy general manager and other senior management the monies which should have been received by the Company including, but not limited to, commission received by them;
- (5) To demand the relevant director, supervisor, general manager, deputy general manager and other senior management to return the interest earned or that may be earned from the monies which should have been payable to the Company.

#### **Article 209**

The Company shall enter into a contract in writing with directors and supervisors of the Company in respect of remuneration, with the prior approval of the shareholders' general meeting. The remuneration matters as aforesaid shall include:

**Mandatory  
Provision  
128**

- (1) The remuneration for acting as a director, supervisor or senior management of the Company;
- (2) The remuneration for acting as a director, supervisor or senior management of a subsidiary of the Company;

- (3) The remuneration for the provision of other services in the management of the Company or its subsidiaries; and
- (4) The payment for compensation for loss of office or retirement of such directors and supervisors.

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

#### **Article 210**

There shall be a provision in the contract in relation to remuneration made between the Company and a director or supervisor of the Company that the director or the supervisor of the Company shall be entitled to the compensation or other payments as a result of loss of office or retirement when the Company is to be taken over, provided that prior approval shall have been obtained at a shareholders' general meeting. A takeover of the Company referred to above shall mean one of the following situations:

**Mandatory  
Provision  
129**

- (1) A takeover offer to all shareholders has been made by any person;
- (2) A takeover offer has been made by any person to enable the offeror to become the controlling shareholder. The meaning of "controlling shareholder" is the same as that defined in Article 65 of these Articles of Association of Association.

In the event that the relevant director or supervisor does not comply with the provisions of this Article, any monies received by him shall belong to the persons who sold their shares as a result of the offer made and the expenses incurred as a result of pro rata distribution of such monies shall be borne by such director or supervisor and such expenses shall not be deducted from such monies.

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

#### **Article 211**

The Company shall establish the financial accounting system of the Company in accordance with laws, administrative regulations and the provisions of the PRC accounting standards formulated by the financial supervisory authorities of the State Council.

**Mandatory  
Provision  
130**

#### **Article 212**

The Company should submit the Company's annual financial report, within three months after the end of a financial year, to China Securities Regulatory Commission and the stock exchange. The Company should submit the interim financial report, within two months from the end of the first six months of a financial year, to the relevant authorities authorized by China Securities Regulatory Commission and the stock exchange. The Company should submit the Company's quarterly financial report, within one month from the end of the first three months and first nine months of a financial year, to the relevant authorities authorized by China Securities Regulatory Commission and the stock exchange. The above financial reports shall be prepared in accordance with laws, administrative regulations and the provisions of departmental regulations.

#### **Article 213**

The Company shall prepare a financial report at the end of each accounting year and the same shall be audited in accordance with law.

**Mandatory  
Provision  
131**

The accounting year of the Company shall be calendar year from January 1 to December 31.

The financial report of the Company shall include the following financial and accounting statements and schedules:

- (1) Balance sheet;
- (2) Profit and Profit distribution statement;
- (3) Statement of change in equity;
- (4) Statement of cash flows;

(5) Notes to the financial statements.

#### **Article 214**

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

**Mandatory  
Provision  
132**

#### **Article 215**

The financial report of the Company shall be made available at the Company for inspection by shareholders 20 days prior to the holding of the annual general meeting. Each shareholder of the Company shall be entitled to obtain the financial report mentioned in these Articles of Association of Association.

**Mandatory  
Provision 133**

Copies of aforesaid report, together with the director's report, shall be sent by prepaid post to each holder of overseas listed foreign invested shares at least 21 days prior to the annual general meeting. The address of the recipient shall be the address recorded in the register of shareholders.

**CSRC Overseas  
Letter [1995] No.  
1 (7)**

#### **Article 216**

The financial report of the Company shall be prepared in accordance with PRC accounting standards and legal regulations.

**HK Listing  
Rules Appendix 3  
No. 5  
Mandatory  
Provision 134**

#### **Article 217**

The interim results or financial information published or disclosed by the Company should be prepared in accordance with PRC accounting standards and legal regulations.

**Mandatory  
Provision 135**

#### **Article 218**

The Company shall submit the directors' report and its annual accounts and auditor's reports for these accounts to each shareholder at least 21 days prior to the date of annual general meeting and within 90 days after the end of fiscal period.

**Mandatory  
Provision 136**

The Company shall prepare an interim report conforming to the Main Board Listing Rules for the first six months of each fiscal year, which shall be published within 60 days after the end of this period.

#### **Article 219**

No books of account other than those provided by law shall be established by the Company. Assets of the Company shall not be deposited in an account maintained in any individual's name.

**Mandatory  
Provision 137**

#### **Article 220**

The Company shall have an internal audit system and shall establish an internal audit department or have internal audit staff, for the carrying out of internal audit and supervision on the financial income and expenditure and economic activities of the Company under the leadership of the board of directors.

#### **Article 221**

The Company's internal audit system and audit staff's duties shall be implemented after the approval of the board of directors. The person in charge of the audit shall be accountable and report to the board of directors.

#### **Article 222**

The profit after tax of the Company shall be distributed in the following order of priority:

- (1) Making up losses;
- (2) Allocation to the statutory surplus reserve;
- (3) Allocation to the discretionary surplus reserve approved by the resolutions of shareholders' general meeting;



(4) 10% of profits available for distribution to shareholders may be allocated as the bonus fund with approval by the resolution of shareholders' general meeting;

(5) Payment of dividends for ordinary shares.

No dividend or bonus shall be distributed by the Company before losses have been made up and allocations to the statutory surplus reserve have been made.

#### **Article 223**

The reserve fund of the Company includes surplus reserve and capital reserve. The surplus reserve fund includes statutory surplus reserve and discretionary surplus reserve.

#### **Article 224**

The Company shall allocate 10% of the profit after tax to the statutory surplus reserve. Further allocation need not be made if the accumulated amount of the statutory surplus reserve has reached 50% of the Company's registered capital.

If the statutory surplus reserve is not sufficient to make up the losses of the Company in the preceding years, the profits of that year shall be used for making up such losses before the allocation to the statutory surplus reserve in accordance with the requirement of the preceding provision.

Any surplus of profits after the Company has made up losses and made allocations to the statutory surplus reserve may be distributed as dividends to shareholders in proportion to their shareholdings.

The shareholders' general meeting or the board of directors of the Company shall not pay any dividends to the shareholders before the Company has made up its losses and has made allocation to the statutory surplus reserve. The dividends paid in breach of this Article shall be returned to the Company.

#### **Article 225**

The capital reserve shall include the following items:

- (1) Premium received in excess of the par value of the shares issued;
- (2) Other revenue required by the competent financial department of the State Council to be so included.

**Mandatory  
Provision  
138**

#### **Article 226**

The reserve of the Company shall only be used for the following purposes:

- (1) Making up losses (except for capital reserve) ;
- (2) Expansion of the production and operation of the Company;
- (3) Conversion into additional share capital of the Company. With the approval of the shareholders' general meeting, the Company may convert the reserves into share capital, and issue new shares to shareholders pro rata to their existing shareholdings or increase the par value of the shares. However, when the statutory surplus reserve is converted into share capital, the amount remaining in such statutory reserve shall not be less than 25% of the registered capital of the Company.

#### **Article 227**

The Company's bonus fund shall be used for the awards of medium or above managers who have over fulfilled their operation tasks.

#### **Article 228**

Dividends of the Company of each year shall be paid within six months after the end of each financial year to each shareholder according to the type and proportion to their respective

shareholding.

Unless otherwise resolved at shareholders' general meeting, the shareholders' general meeting may authorise the board of directors to distribute interim dividends. Unless otherwise specified in the laws or regulations, the amount of interim dividends shall not exceed 50% of distributable profits in Company's interim profit statement.

Holders of shares that have been paid up before payment calls by the Company are entitled to dividends, but holders of prepaid shares are not entitled to dividends declared thereafter.

The Company may exercise the power to forfeit unclaimed dividends, provided that it does so only after the expiration of the applicable relevant period.

#### **Article 229**

Profit distribution policy of the Company:

##### **(I) Principle for profit distribution**

The Company stresses on reasonable investment returns to investors while maintaining its sustainable development, with continuity and stability maintained for its profit distribution policies.

##### **(II) Form of profit distribution**

The Company may distribute profit by way of cash, shares or a combination of cash and shares. When the conditions of cash dividend are met, priority shall be given to profit distribution by way of cash dividend.

Annual profit distribution shall be made if the Company records a profit for the year and has distributable profits. Should conditions permit, the Company may distribute interim profits.

##### **(III) Decision-making mechanism and procedure**

1. Procedure and requirement for the Board in considering profit distribution: During the Company's profit distribution, the Board shall first prepare a distribution proposal which shall be approved by independent directors before its submission to the Board for consideration. In considering the specific cash dividend scheme, the Board shall carefully study and discuss the timing, conditions and minimum ratio for the Company's cash dividends, while independent directors shall present their opinions.

2. Procedure and requirement for considering profit distribution proposals at the general meeting: The profit distribution proposals of the Company approved by the Board shall be considered at the general meeting of the Company. In considering the specific plan for cash dividends at the general meeting, multiple channels shall be utilized for active communication and exchange with shareholders, particularly minority shareholders whose views and appeals shall be fully considered and their concerns timely addressed.

##### **(IV) Specific conditions, proportions and intervals for cash dividends**

The Company shall not distribute cash dividends unless it satisfies the following conditions:

1. The distributable profits of the Company for the year (i.e. after-tax profits after deducting the amount for making up losses and the reserve funds set aside by the Company) are positive;
2. The auditors have issued a standard audit report with unqualified opinions on the financial statements of the Company for the year; and
3. The Company has no significant investment plan or significant cash expenditure in the following 12 months (excluding fundraising projects).

Significant investment plan or significant cash expenditure refers to one of the following situations:

- (1) the accumulated expenditure of the Company on proposed external investment, asset acquisition or equipment purchase within the next 12 months amounts to or exceeds 50% of the latest audited net assets of the Company.
- (2) the accumulated expenditure of the Company on proposed external investment, asset acquisition or equipment purchase within the next 12 months amounts to or exceeds 30% of the latest audited total assets of the Company.

(V) Proportion of cash dividends: The accumulated profit distribution made in cash by the Company in the last three years shall be no less than 30% of the annual average distributable profits realized in the last three years.

**The Decision  
on Certain  
Rules for the  
Modification  
of Cash  
Bonus  
Distribution  
of Listed  
Companies**

The Board of the Company shall take into account, amongst other things, the characteristics of the industry where the Company operates, stage of development, the Company's own operating model, profitability and any significant capital expenditure arrangement in identifying the following situations, and shall make differentiated cash dividend policies in accordance with the provisions of the Articles of Association of the Company:

1. If the Company is in the mature stage without significant capital expenditure arrangement, cash dividends shall account for a minimum of 80% profit distribution;
2. If the Company is in the mature stage and has a significant capital expenditure arrangement, cash dividends shall account for a minimum of 40% profit distribution; and
3. If the Company is in the growth stage with a significant capital expenditure arrangement, cash dividends shall account for a minimum of 20% profit distribution.

Should it be difficult to identify the Company's stage of development, and there is a significant capital expenditure arrangement, such situations can be addressed pursuant to the previous provision.

#### (VI) Conditions for distributing share dividends

Based on the accumulated distributable profits, provident fund and cash flow status, the Company may distribute profits in the form of shares as necessary, provided that a sufficient amount of cash dividends and a reasonable size of share capital are ensured for the Company. The specific dividend payout ratio shall be submitted to the general meeting for consideration after being reviewed and approved by the Board of the Company. Apart from the above reasons, where the Company distributes profits in the form of shares, it shall consider practical and reasonable factors such as the growth of the Company and the dilution of net assets value per share.

#### (VII) Supervision and binding mechanisms on profit distribution

The independent directors shall express independent opinions on the dividend distribution proposal of the Company; in the event that the Company records a profit for the year but fails to propose a cash dividend distribution proposal, the independent directors shall express independent opinions and make public disclosure in this regard; the supervisory committee shall supervise the implementation of dividend distribution policies, shareholders' return plans and decision-making procedures of the Company by the Board and the management.

#### (VIII) Adjustment mechanism for profit distribution policies

1. Where it is necessary for the Company to adjust its profit distribution policy based on the circumstances of production operation, investment plans and needs for long-term development or the change of external operation environment, the adjusted profit distribution policy shall not breach the relevant provisions of CSRC and the stock exchange.
2. Resolutions on adjusting the profit distribution policy shall be formulated by the Board and approved by independent directors before submission to the Board for consideration. Independent directors shall express independent opinions on the adjustments on the profit distribution policy.
3. Resolutions on adjusting the profit distribution policy shall be submitted to the Board and the general meeting for consideration respectively, and shall be submitted to the general meeting for approval upon being approved by the Board. The Company may arrange online voting channels, such as the trading system of the stock exchange and the internet voting system, to provide convenient access for public shareholders to engage in general meetings. Resolutions on adjusting the profit distribution policy as considered by the general meeting shall be approved by more than 2/3 of shareholders with voting rights who attend such general meetings.

(IX) The profit distributed by the Company shall not go beyond the scope of accumulated distributable profit.

(X) If the Board fails to make a cash profit distribution proposal, the Company shall disclose in its periodic report the reasons for no dividend distribution, and the uses and plans for such undistributed capital retained by the Company. The independent directors shall express independent opinions in this regard, and the Company shall also disclose the implementation of its cash dividend distribution policy during the reporting period.

(XI) Where any shareholder misappropriates the funds of the Company, the Company shall deduct the cash dividends to the shareholder during cash dividend distribution, to compensate the misappropriated capital.

### **Article 230**

After the shareholders make a decision for distribution of profits in general meeting, the board of directors must finish distributing the dividends (or shares) within two months after the

shareholders' general meeting is held.

#### **Article 231**

Dividends or other payments declared by the Company to be payable to holders of domestic shares shall be declared, calculated, and paid in Renminbi within two months after the declaring date. Dividends or other payments payable to holders of overseas listed foreign shares shall be declared and calculated in Renminbi, and paid in the local currency of the place in which such overseas listed foreign shares are listed (if such shares are listed in more than one place, then the currency of the principal place on which such shares are listed as determined by the board of directors) within two months after the declaring date. Holders of shares that have been paid up before payment calls by the Company are entitled to dividends, but holders of prepaid shares are not entitled to dividends declared thereafter.

#### **Article 232**

The Company shall pay the dividends and other payments to the holders of overseas listed foreign shares according to the national provisions for foreign exchange management. Unless specified in respective provisions, the applicable conversion rate is an average closing quotation declared by the People's Bank of China a week before the date on which the dividends and other payments are declared.

#### **Article 233**

When distributing dividends, the Company shall withhold on behalf of the individual shareholders the tax payable on dividend income in accordance with PRC tax law.

#### **Article 234**

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

The receiving agent appointed by the Company shall comply with the laws and the requirements of the regulations of the stock exchange where the shares of the Company are listed.

The receiving agents appointed for holders of overseas listed foreign shares listed on the Hong Kong Stock Exchange shall each be a company registered as a trust company under the Trustee Ordinance of Hong Kong.

**Mandatory  
Provision  
140**

**CSRC  
Overseas  
Letter [1995]  
No. 1 (8)**

**HK Listing  
Rules  
Appendix  
13D Section  
1c**

### **Chapter 16 Appointment of Accounting Firm**

#### **Article 235**

The Company should appoint the accounting firm which is independent and complies with the relevant provision of the State. The accounting firm audits the Company's annual financial accounts report and other financial reports.

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

If the inaugural meeting does not exercise the powers under the preceding paragraph, those powers shall be exercised by the board of directors.

#### **Article 236**

The accounting firm appointed by the Company shall hold office from the conclusion of the annual general meeting at which the appointment is made until the conclusion of the next annual meeting of shareholders.

**Mandatory  
Provision  
142**

The Company shall appoint an accounting firm at each annual general meeting to hold office from until the conclusion of the next annual meeting of shareholders. The Company shall not remove the accounting firm before the end of its term of office without first obtaining shareholders' approval at a shareholders' general meeting. The Company shall send a circular proposing the removal of the accounting firm to shareholders with any written representations from the

accounting firm, not less than 10 business days before the shareholders' general meeting. The Company shall allow the accounting firm to attend the shareholders' general meeting and make written/oral representations to shareholders at the meeting.

#### **Article 237**

The accounting firm appointed enjoys and exercises the following rights:

- (1) Access the accounting books, records and vouchers of the Company at any time, and request the Company's director, general manager and deputy general manager or other senior management to provide the relevant information and explanation;
- (2) Request the Company to take all reasonable measures in order to obtain such information and explanation from the subsidiaries the Company as are necessary for the discharge of its duties;
- (3) Attend shareholders' general meetings and to receive all notices of, and other communications relating to, any shareholders' general meeting which any shareholder is entitled to receive, and to speak at any shareholders' general meeting in relation to matters concerning its role as the Company's accounting firm.

**Mandatory  
Provision  
143**

#### **Article 238**

If there is a vacancy in the position of auditor of the Company, the board of directors may appoint an accounting firm to fill such vacancy before the convening of the shareholders' general meeting. Any other accounting firm which has been appointed by the Company may continue to act during the period during which a vacancy arises.

**Mandatory  
Provision  
144**

#### **Article 239**

The shareholders' general meeting may by ordinary resolution remove the Company's auditors before the expiration of its term of office, irrespective of the provisions in the contract between the Company and the Company's auditors. However, the accounting firm's right to claim for damages which arise from its removal shall not be affected thereby.

**Mandatory  
Provision  
145**

#### **Article 240**

The remuneration of an accounting firm or the manner in which such firm is to be remunerated shall be determined by the shareholders' general meeting. The remuneration of an accounting firm appointed by the board of directors shall be determined by the board of directors.

**Mandatory  
Provision  
146**

#### **Article 241**

The Company's appointment, removal and non-reappointment of an accounting firm shall be resolved by shareholders' general meeting. The resolution of the shareholders' general meeting shall be filed with the securities regulating authorities of the State Council.

**Mandatory  
Provision  
147**

Where it is proposed that any resolution be passed at a shareholders' general meeting concerning the appointment of an accounting firm, which is not an incumbent firm, to fill a casual vacancy in the office of the accountants' firm, or to reappoint a retiring accounting firm appointed by the board of directors to fill a casual vacancy, or to remove the accounting' firm before the expiration of its term of office, the following provisions shall apply:

**CSRC  
Overseas  
Letter [1995]  
No. 1 (9)  
HK Listing  
Rules  
Appendix  
13D Section  
1e(i)**

- (1) A copy of the proposal about appointment or removal shall be sent to the firm proposed to be appointed or proposing to leave its post or the firm that has left its post in the relevant fiscal year before notice of meeting is given to the shareholders. Leaving includes leaving by removal, resignation and retirement.
- (2) If the leaving firm makes representations in writing and requests the Company to notify the shareholders of such representations, the Company shall (unless the representations are received too late):
  1. in any notice given to shareholders about a resolution to be made, state the representations that has been made by the leaving accounting firm; and
  2. attach a copy of the representations to the notice and deliver it to the shareholders as required by the Articles of Association.

- (3) If the firm's representations are not sent in accordance with paragraph (2) of this Article, the relevant firm may require that the representations be read at the shareholders' general meeting and may make further complaints.
- (4) An accounting firm that is leaving its post shall be entitled to attend:
1. the shareholders' general meeting relating to the expiry of its term of office;
  2. any shareholders' general meeting where it is proposed to fill the vacancy caused by its removal; and
  3. any shareholders' general meeting convened for its resignation.

The leaving accounting firm is entitled to receive all notices of, and other communications relating to, any such meetings, and to speak at such meetings in relation to matters concerning its role as the former accounting firm of the Company.

#### **Article 242**

Prior to the removal or the non-renewal of the appointment of an accounting firm, a 30 days advance notice shall be given to the accounting firm and such firm shall be entitled to make representation at the shareholders' general meeting. Where the accounting firm resigns from its post, it shall make clear to the shareholders' general meeting whether there has been any impropriety on the part of the Company.

An accounting firm may resign from its office by depositing at the Company's legal residence a resignation notice that shall become effective on the date of such deposit or on such later date as may be stipulated in such notice. Such notice shall include:

1. A statement to the effect that there is no circumstance connected with its resignation that it considers should be brought to the notice of the shareholders or creditors of the Company; or
2. A statement of any matters of which an account should be given.

Where a notice is deposited under the preceding sub-paragraph, the Company shall within 14 days send a copy of the notice to the relevant governing authority. If the notice contains a statement under the preceding sub-paragraph (2), a copy of such statement shall be placed at the Company for shareholders' inspection. The Company should also send a copy of such statement by prepaid mail to every shareholder of overseas listed foreign shares at the address registered in the register of shareholders.

Where the accounting firm's notice of resignation contains a statement in respect of the above, it may require the board of directors to convene a shareholders' extraordinary general meeting for the purpose of receiving an explanation of the circumstances connected with its resignation.

### **Chapter 17 Insurance**

#### **Article 243**

The Company purchases various insurances from designated institutions by specified way in accordance with the provisions of competent Chinese authorities, including insurance companies registered in China and lawfully permitted to offer insurance to Chinese companies. The board of directors will deliberate and determine the types, amounts and period of insurance in line with the general industry practices abroad as well as the general practices and legal requirements in China.

### **Chapter 18 Labour and Personnel Management System**

#### **Article 244**

The Company formulates its labour and personnel management system in accordance with the Labor Law of the People's Republic of China.

**Mandatory  
Provision  
148  
CSRC  
Overseas  
Letter [1995]  
No. 1 (10)  
HK Listing  
Rules ...**

#### **Article 245**

The Company may at its discretion employ and dismiss employees and enter into employment contracts with all employees based on the business development needs of the Company and in accordance with the requirements of the laws and regulations of the State.

#### **Article 246**

The Company decides its labour and payroll systems and payment methods in accordance with the relevant laws and regulations of the State and the economic benefits of the Company.

#### **Article 247**

The Company shall endeavour to improve its employee benefits and to continually improve the working environment and living standards of its employees.

#### **Article 248**

The Company shall accrue the medical, retirement, unemployment and industrial injury insurance fund, and establish the labor insurance system in line with relevant laws and regulations of the State.

### **Chapter 19 Trade Union Organization**

#### **Article 249**

Labour union is organized to protect the legitimate interest of employees in accordance with the Trade Union Law of the People's Republic of China. The Company shall provide necessary conditions for activities of the trade union

#### **Article 250**

When employees have established a trade union according to laws, the Company shall appropriate 2% of total monthly wage for employees to a trade union fund. The fund shall be used by the trade union of the Company in accordance with the Way of Using Labour Union Fund of the All-China Federation of Labour Unions.

### **Chapter 20 Merger and Division of the Company**

#### **Article 251**

In the event of the merger or division of the Company, a plan shall be presented by the Company's board of directors and shall be approved in accordance with the procedures stipulated in these Articles of Association. The Company shall then go through the relevant approval process. A shareholder who objects to the plan of merger or division shall have the right to demand the Company or the shareholders who consent to the plan of merger or division to acquire such dissenting shareholders' shareholding at a fair price. The contents of the resolution of merger or division of the Company shall constitute special documents which shall be available for inspection by the shareholders of the Company.

Such special documents shall be sent by mail to holders of overseas listed foreign shares at the address registered in the register of shareholders.

#### **Article 252**

The Company shall notify the creditors within 10 days of the date of merger or division resolution of the general meeting of shareholders, and make a public notice in a newspaper within 30 days.

#### **Article 253**

The merger of the Company may take the form of either merger by absorption or merger by the

**Mandatory  
Provision 149**

**Mandatory  
Provision  
150  
HK Listing  
Rules  
Appendix 3  
No. 7  
Section 1  
Articles of**

establishment of a new company. A company that absorbs another company is known as merger by absorption whereby the company being absorbed shall be dissolved. The merger of two or more companies by the establishment of a new company is known as merger by the establishment of a new company, whereby the merged companies shall be dissolved.

In the event of a merger, the merging parties shall execute a merger agreement and prepare a balance sheet and an inventory of assets. The Company shall notify its creditors within 10 days of the date of the Company's merger resolution and shall publish a public notice in a newspaper within 30 days. Within 30 days of receiving the notice by the creditors, or for creditors who have not received such notice, within 45 days the notice is announced, the creditors may demand the Company to settle its debts or to provide corresponding guarantee.

At the time of merger, rights in relation to debtors and indebtedness of each of the merged parties shall be assumed by the company which survives the merger or the newly established company.

#### **Article 254**

In the event of division of the Company, the parties to such division shall execute a division agreement and prepare a balance sheet and an inventory of assets. The Company shall notify its creditors within 10 days of the date of the Company's division resolution and shall publish a public notice in a newspaper within 30 days.

Debts of the Company prior to division shall be assumed incidentally by the companies which exist after the division.

#### **Article 255**

The Company shall, in accordance with law, apply for change in its registration with the companies registration authority where a change in any item in its registration arises as a result of any merger or division. Where the Company is dissolved, the Company shall apply for cancellation of its registration in accordance with law. Where a new company is established, the Company shall apply for registration thereof in accordance with law.

### **Chapter 21 Dissolution and Liquidation of the Company**

#### **Article 256**

The Company shall be dissolved and liquidated upon the occurrence of any of the following events:

- (1) a resolution for dissolution is passed by shareholders' general meeting;
- (2) dissolution is necessary due to a merger or division of the Company;
- (3) the Company is legally declared insolvent due to its failure to repay debts as they become due; and
- (4) the Company is ordered to close down because of its violation of laws and administrative regulations.

#### **Article 257**

A liquidation committee shall be set up within 15 days of the Company being dissolved pursuant to sub-paragraph (1), (2) and (4) of the preceding Article, and the composition of the liquidation committee of the Company shall be determined by an ordinary resolution of shareholders' general meeting. If a liquidation committee is not set up within the specified time limit, the creditors of the Company may apply to the people's court to appoint designated persons to carry out the liquidation.

Where the Company is dissolved under sub-paragraph (3) of the preceding Article, the People's Court shall in accordance with the provisions of relevant laws establish a liquidation committee to carry out the liquidation.

#### **Article 258**

Where the board of directors proposes to liquidate the Company for any reason other than the Company's declaration of its own insolvency, the board shall include a statement in its notice

**Mandatory  
Provision  
151  
HK Listing  
Rules  
Appendix 3  
No. 7  
Section 1**

**Mandatory  
Provision  
153**

**Mandatory  
Provision  
154**

**Mandatory  
Provision 155**



convening a shareholders' general meeting to consider the proposal to the effect that, after making full inquiry into the affairs of the Company, the board of directors is of the opinion that the Company will be able to pay its debts in full within 12 months from the commencement of the liquidation.

Upon the passing of the resolution by the shareholders' general meeting for the liquidation of the Company, all functions and powers of the board of directors shall cease.

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

#### **Article 259**

The liquidation committee shall, within 10 days of its establishment, send notices to creditors and shall, within 60 days, publish a public announcement in a newspaper.

**Mandatory  
Provision 156**

A creditor shall, within 30 days of receipt of the notice, or for creditors who have not personally received such notice, within 45 days of the date of the first public announcement, report its rights to the liquidation committee. When reporting his rights, the creditor shall provide an explanation of matters which are relevant thereto and shall provide evidential material in respect thereof. The liquidation committee shall register the creditor's rights.

#### **Article 260**

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

- (1) to sort out the Company's assets and prepare a balance sheet and an inventory of assets respectively;
- (2) to inform creditors by notice or to public announcements;
- (3) to dispose of and liquidate any unfinished businesses of the Company;
- (4) to pay all outstanding taxes;
- (5) to settle claims and debts;
- (6) to deal with the surplus assets remaining after the Company's debts have been repaid;
- (7) to represent the Company in any civil proceedings.

#### **Article 261**

After it has sorted out the Company's assets and prepared the balance sheet and an inventory of assets, the liquidation committee shall formulate a liquidation plan and present it to a shareholders' general meeting or to the relevant governing authority for confirmation.

**Mandatory  
Provision 158**

The Company's assets shall be distributed in accordance with the priority required by law or regulation. If there is no applicable law, such distribution shall be carried out in accordance with a fair and reasonable procedure determined by the liquidation committee.

Any surplus assets of the Company remaining after its debts have been repaid shall be distributed to its shareholders according to the class of shares and the proportion of shares held.

During the liquidation period, the Company but shall not commence any new business activities.

#### **Article 262**

If after sorting out the Company's assets and preparing a balance sheet and an inventory of assets in connection with the liquidation of the Company, the liquidation committee discovers that the

**Mandatory  
Provision  
159**

Company's assets are insufficient to repay the Company's debts in full, the liquidation committee shall immediately apply to the People's Court for a declaration of insolvency.

After a Company is declared insolvent by a ruling of the People's Court, the liquidation committee shall transfer all matters arising from the liquidation to the People's Court.

### **Article 263**

Following the completion of the liquidation, the liquidation committee shall prepare a liquidation report, a statement of income and expenditure and a financial account books in respect of the liquidation period, which shall be verified by a Chinese registered accountant and submitted to the shareholders' general meeting or the relevant governing authority for confirmation.

**Mandatory  
Provision 160**

The liquidation committee shall, within 30 days after such confirmation, submit the documents referred to in the preceding paragraph to the companies registration authority and apply for cancellation of registration of the Company, and publish a public announcement relating to the termination of the Company.

## **Chapter 22 Procedures for Amendment of the Company's Articles of Association**

### **Article 264**

The Company may amend its Articles of Association in accordance with the requirements of laws, administrative regulations and the Company's Articles of Association.

### **Article 265**

The Company shall amend its Articles of Association under any of the following conditions:

**Mandatory  
Provision 161**

- (1) Upon amendments of the Company Law, relevant laws or administrative regulations, the Articles of Association is inconsistent with the amended laws or administrative regulations;
- (2) There are changes in the conditions of the Company and they are inconsistent with those stated in the Articles of Association; and
- (3) Resolutions in relation to the amendment of the Articles of Association has been passed at a shareholders' general meeting.

**Articles of  
Listed  
Companies  
Guideline 188**

### **Article 266**

The Articles of Association shall be amended in line with the following procedure:

- (1) a resolution for amending the Articles of Association and related draft amendment is adopted by the board of directors in accordance with the Articles of Association;
- (2) the aforesaid draft amendment is provided to the shareholders in writing and the shareholders' general meeting is convened to vote on the amendment; and
- (3) the draft amendment is approved by the shareholders' general meeting as a special resolution.

The shareholders' general meeting may authorize the board of directors by the ordinary resolution:

- (1) when the Company increases its registered capital, the board of directors shall have the right to amend the content concerning the registered capital of the Company in the Articles of Association;
- (2) If the Articles of Association approved by the shareholders' general meeting need to be changed in terms of the wording or order of Articles when being submitted to the company approval authority authorized by the State Council and the securities regulatory authority under the State Council, the board of directors shall have the right to make the corresponding amendment as required by the aforesaid approval authority and securities regulatory authority under the State Council.

## Article 267

If examination and approval by the competent authorities are required for the amendments to the Articles of Association passed by resolutions at the shareholders' general meeting, they shall be submitted to the competent authorities for approval; where the amendments involve the registered particulars of the Company, procedures for change of registration shall be handled in accordance with the law.

**Mandatory  
Provision 162**

## Article 268

The board of directors shall amend the Articles of Association according to the resolutions of the shareholders' general meeting and the opinions of the relevant competent authority.

**Articles of  
Listed  
Companies  
Guideline 190**

## Article 269

Any amendments to the Articles of Association that involve information to be disclosed as required by the laws and regulations, shall be publicly announced as required.

**Articles of  
Listed  
Companies  
Guideline 191**

## Chapter 23 Settlement of Disputes

### Article 270

The settlement of disputes shall abide by the following rules:

**Mandatory  
Provision 163**

- (1) Whenever any disputes or claims arise between: holders of the overseas listed foreign shares and the Company; holders of the overseas listed foreign shares and the Company's directors, supervisors, general manager, deputy general manager and other senior management; or holders of the overseas listed foreign shares and holders of domestic shares, in respect of any rights or obligations arising from these Articles of Association, the Company Law or any rights or obligations conferred or imposed by the Company Law or other relevant laws and administrative regulations concerning the affairs of the Company, such disputes or claims shall be referred by the relevant parties to arbitration.

Where a dispute or claim of rights referred to in the preceding paragraph is referred to arbitration, the entire claim or dispute must be referred to arbitration, and all persons who have a cause of action based on the same facts giving rise to the dispute or claim or whose participation is necessary for the resolution of such dispute or claim, shall, where such person is the Company, the Company's shareholders, directors, supervisors, general manager, deputy general manager and other senior management of the Company, comply with the arbitration.

**CSRC  
Overseas  
Letter [1995]  
No. 1 (11)**

Disputes in relation to the definition and register of shareholders need not be resolved by arbitration.

- (2) A claimant may choose arbitration at either the China International Economic and Trade Arbitration Commission in accordance with its rules or the Hong Kong International Arbitration Centre in accordance with its Securities Arbitration Rules. Once a claimant refers a dispute or claim to arbitration, the other party must submit to the arbitral body chosen by the claimant.

If a claimant chooses arbitration at Hong Kong International Arbitration Centre, any party to the dispute or claim may apply for a hearing to take place in Shenzhen in accordance with the Securities Arbitration Rules of the Hong Kong International Arbitration Centre.

- (3) If any disputes or claims of rights prescribed in subparagraph (1) above are referred to arbitration, the laws of the People's Republic of China shall apply, save as otherwise provided in laws and administrative regulations.
- (4) The arbitration award shall be final and binding on all parties.

## Chapter 24 Notification

### Article 271

Unless otherwise provided herein, the notices, information or written statements issued by the Company to shareholders of the overseas listed foreign shares listed in Hong Kong shall be despatched to such shareholders by hand or by mail to the addresses of such shareholders as

**HK Listing  
Rules Appendix  
3 No. 7 Section  
1 and 3**

shown in the register of shareholders of overseas listed foreign shares. Notices given to the shareholders of overseas listed foreign shares listed in Hong Kong shall, as far as possible, be sent in Hong Kong.

A notice sent to holders of the domestic shares shall be published in one or more newspapers or magazines designated by the securities regulatory authority under the State Council. Once such announcement is published, all domestic shareholders shall be deemed to have received the notice.

#### **Article 272**

Where a notice is to be sent by post, it shall be placed in an envelope properly addressed with postage prepaid, and is deemed served to shareholders on the date of dispatch.

#### **Article 273**

Any notice, document, information or written statement given by a shareholder or Director to the Company shall be delivered by hand or by registered mail to the legal address of the Company. Where a notice of the Company is served by hand, the addressee shall be required to sign his name (or affix his chop) on the receipt, and the signing date of the receipt shall be the date of service.

**Articles of  
Listed  
Companies  
Guideline 168**

#### **Article 274**

Shareholders or directors of the Company who want to prove that certain notices, documents, information or written statements have been served on the Company shall provide evidential materials showing the same have been served on the Company within the designated periods by common practice of delivery, or evidential materials showing that the mailing address is correct and the postage is fully paid.

### **Chapter 25      Supplementary Articles**

#### **Article 275**

Definitions:

- (1) De facto controller means a party that is not a shareholder of the company, but shall be capable to control the act of the Company through investment relationship, agreement or other arrangements.
- (2) Connected relationship means the relationship between the controlling shareholder of the Company, its de facto controller, directors, supervisors, senior management and enterprises directly or indirectly controlled by it, as well as other relationships that may result in the transfer of the Company's interests. However, state-owned enterprises do not have connected relationship solely as a result of being controlled by the State.

**Articles of  
Listed  
Companies  
Guideline 192**

#### **Article 276**

The meaning of "Accounting Firm" is as same as "Auditor" herein.

**Mandatory  
Provision 165**

#### **Article 277**

All figures herein include the figure mentioned. The expressions of "above", "within" and "below" shall include the figure mentioned whilst the expression of "under", "beyond", "less than" and "more than" shall not include the figure mentioned.

#### **Article 278**

The board of directors may formulate detailed rules of the Articles of Association in accordance with the provisions herein. Such detailed rules shall not contravene the provisions in the Articles of Association.

#### **Article 279**

These Articles of Association is written in Chinese. In case of any discrepancy between versions in other languages or different versions and these Articles of Association, the latest Chinese version approved for registration with the Shandong Administration for Industry & Commerce shall prevail.

**Article 280**

These Articles of Association shall be interpreted by the Company's board of directors.

**Article 281**

Appendices to these Articles of Association include procedural rules for shareholders' general meetings, procedural rules for meetings of the board of directors and procedural rules for meetings of supervisors.

**Articles of  
Listed  
Companies  
Guideline 196**

**Articles of  
Listed  
Companies  
Guideline 197**