

# **Zhejiang Shibao Company Limited**

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

## **Articles of Association**

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

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Remarks: In Articles of Association and its marginal notes, Mandatory Provisions 《必備條款》 or MP refers to Mandatory Provisions for the Articles of Association of Companies to be listed Overseas 《到境外上市公司章程必備條款》 issued by the former Securities Committee of the State Council and the former SCRES, Special Regulations 《特別規定》 refers to Special Regulations of the State Council on Overseas Offerings and Listing of Shares by Joint Stock Limited Companies 《國務院關於股份有限公司境外募集股份及上市的特別規定》 issued by the General Office of the State Council, Letter of Opinions refers to Letter of Opinions on Supplementary Amendment to Articles of Association of Companies to be Listed in Hong Kong 《關於到香港上市公司對公司章程作補充修改的意見函》 (Zheng Jian Hai Han [1995] No.1) (證監海函[1995]1號) jointly issued by the Overseas Listing Division of China Securities Regulatory Commission (the “CSRC”) and the Production System Department of the former SCRES, Opinion refers to Opinion on Further Promoting Regulation of Operation and In-depth Reform of Companies Listed Overseas 《關於進一步促進境外上市公司規範運作和深化改革的意見》 jointly issued by the former National Economic and Trade Committee and CSRC, Guidelines for Secretary 《秘書工作指引》 refers to Guidelines for Secretary to the Board of Overseas Listed Companies 《境外上市公司董事會秘書工作指引》 issued by CSRC, Listing Rules or LR refers to Rules Governing the Listing of Securities 《證券上市規則》 on the Stock Exchange of Hong Kong Limited, and LR APP. refers to Appendix to Listing Rules.

# Zhejiang Shibao Company Limited

## Articles of Association

### Chapter 1 General Principles

Article 1 This company (or the “Company”) is a joint stock limited company incorporated in the People’s Republic of China (“PRC”) pursuant to Company Law of the People’s Republic of China 《中华人民共和国公司法》 (“Company Law”), Special Regulations of the State Council on Overseas Offerings and Listing of Shares by Joint Stock Limited Companies 《国务院关于股份有限公司境外募集股份及上市的特别规定》 (“Special Regulations”) and other relevant laws and administrative regulations of the State. (MP1)

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

The promoters of the Company are:

Promoter 1: Zhejiang Shibao Holding Group Co., Ltd.  
(hereinafter referred to “Shibao Holding”)

Address: No.1 Chezhan Road, Fotang Town, Yiwu Shi

Legal representative: Zhang Shi Zhong

Identity card number: 330725611018081

Promoter 2: Du Chun Mao

Address: Lane 28, South Tiyu Street, Shiping Shi, Jilin Province

Identity card number: 220302550923043

Promoter 3: Wu Lang Yue

Address: Wang Wu Qiao Cun, Yiting Town, Yiwu Shi

Identity card number: 330725570901081

Promoter 4: Chen Wen Hong

Address: No.1 Xiao Jiang Tan, Fotang Town, Yiwu Shi

Identity card number: 330725197312186232

Promoter 5: Wu Wei Xu

Address: Chen Quan Xiao Qu, Fotang Town, Yiwu Shi

Identity card number: 330725630926083

Article 2 The registered name of the Company: (MP2)

Chinese: 浙江世寶股份有限公司

English: Zhejiang Shibao Co., Ltd.

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

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

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

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

Article 6 The former Articles of Association took effect since the date of registration of the Company. (MP6)

This Articles of Association is approved by a special resolution on the Company's shareholders meeting and officially takes effect upon the completion of issue of the Company's overseas listed foreign shares listed in Hong Kong. The former Articles of Association is substituted by this Articles of Association on the date this Articles of Association takes effect.

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

Article 8 The Articles of Association of the Company shall be binding upon the Company and its shareholders, directors, supervisors, general manager, deputy general manager and other senior management members of the Company, who shall have the right to make any claims and propositions regarding the Company's affairs in accordance with this Articles of Association. (MP7)

The aforesaid other senior management members of this article include person in charge of finance, board secretary or other persons executing the same or similar duties of them, and other persons stipulated in the Articles of Association.

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

The aforesaid lawsuits of this article include filing a lawsuit to the court or applying arbitration to arbitration organisation.

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

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

The company has the rights of financing and borrowing provided that it is in compliance with the applicable laws and administrative regulations of the PRC and

the place of listing of overseas listed foreign shares. The rights of financing of the Company include, but not limited to, the issue of company debentures, pledge or charge of the right of ownership or right of use of parts or all of the assets of the Company, and any other rights as allowed by the laws and administrative regulations of the PRC. However, when the Company exercises the aforesaid rights, it shall not infringe or revoke the rights of any class shareholders.

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

- Article 11 The business objects of the Company: making progress through innovation, building Shibao brand and continuing development. (MP9)
- Article 12 The business scope of the Company is subject to the items as approved by the authority responsible for the registration of companies.
- The principal scope of the Company: manufacture and sales of automotive components, metal materials, sales of mechanical and electrical products as well as electronic products, sales of automobiles (restricted to branches to operate). (MP10)
- Article 13 The Company may adjust its business scope or investment plans according to the changes in domestic and international markets, demands of domestic operations and the Company's own development capabilities, subject to the passing of a resolution at a general meeting and approval by the relevant authorities.

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

- Article 14 The Company shall have ordinary shares any time; and the Company may, according to its need and upon approval from relevant authorities authorised by the State Council, have other classes of shares. (MP11)(LR App.3, para9)
- Article 15 Shares issued by the Company shall have a par value and each share shall bear a par value of RMB 1. (MP12)
- The aforesaid RMB means the lawful currency of the People's Republic of China.
- Article 16 Upon the approval of the securities governing authority of the State Council, the Company may issue shares to domestic investors and foreign investors. (MP13)
- The aforesaid foreign investors mean those investors who subscribe for shares issued by the Company and who are located in foreign countries and in the regions of Hong Kong, Macau and Taiwan. Domestic investors mean those investors who subscribe for shares issued by the Company and who are located within the territory of the People's Republic of China, except the regions referred to above.
- Article 17 The shares issued by the Company to domestic investors and purchased in RMB are domestic shares. The shares issued by the Company to overseas investors and purchased in foreign currency are foreign shares. The foreign shares listed overseas are overseas listed foreign shares. (MP14)(LR App.3 para9)
- The aforesaid foreign currency means the lawful currencies recognised by the foreign exchange regulatory authority department of the State which can be used to pay to the

Company the share capital, and the lawful currency other than Renminbi of other countries and regions.

Article 18 Foreign shares issued by the Company and listed in Hong Kong shall be referred to as H shares. H shares refer to the shares approved by the relevant department of the State and The Stock Exchange of Hong Kong Limited (“Hong Kong Stock Exchange”) for listing with the par value denominated in Renminbi, and are subscribed for and traded in Hong Kong dollar.

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

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

The capital structure of the Company after the issue of the aforementioned shares: 262,657,855 ordinary shares, in which promoters hold 175,943,855 shares (including 165,387,223 shares held by Zhejiang Shibao Holding Group Co., Ltd., 2,639,158 shares held by Du Chun Mao, 2,639,158 shares held by Wu Lang Yue, 2,639,158 shares held by Chen Wen Hong, 2,639,158 shares held by Wu Wei Xu) and holders of H shares hold 86,714,000 H shares. (MP16) (LR App.3 para 9)

On 23 July 2008, with the approval of the Ministry of Commerce, amongst the shares held by the promoters of the Company, Du Chun Mao transferred his 1,400,000 shares to Hui Yan and 870,000 shares to Wang Yu Jie; Wu Lang Yue transferred his 380,000 shares to Zheng Yong Ping, 1,469,158 shares to Fu Zhong Xian, and 790,000 shares to Zhang Qin Fang; and Chen Wen Hong transferred his 2,629,158 shares to Zhang Jun Yi.

After the aforesaid transfer of shares, the shareholding structure of the Company is: of the 262,657,855 shares of ordinary shares, 165,387,223 shares are held by Zhejiang Shibao Holding Group Co., Ltd., 369,158 shares held by Du Chun Mao, 1,400,000 shares held by Hui Yan, 870,000 shares held by Wang Yu Jie, 380,000 shares held by Zheng Yong Ping, 1,469,158 shares held by Fu Zhong Xian, 790,000 shares held by Zhang Qin Fang, 2,639,158 shares held by Zhang Jun Yi, 2,639,158 shares held by Wu Wei Xu, and 86,714,000 shares held by shareholders of H shares.

On 20 June 2011, with the approval of the Ministry of Commerce, the shareholders of domestic shares of the Company, namely Du Chun Mao, Hui Yan, Wang Yu Jie, Zheng Yong Ping, Fu Zhong Xian, Zhang Qin Fang, Zhang Jun Yi and Wu Wei Xu transferred their respective 369,158, 1,400,000, 870,000, 380,000, 1,469,158, 790,000, 2,639,158 and 2,639,158 domestic shares to Zhang Shi Quan.

After the aforesaid transfer of shares, the shareholding structure of the Company is: of the 262,657,855 shares of ordinary shares, 165,387,223 shares are held by Zhejiang Shibao Holding Group Co., Ltd., 10,556,632 shares held by Zhang Shi Quan, and 86,714,000 shares held by shareholders of H shares.

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

The Company may implement the proposals respectively to issue H shares and domestic shares pursuant to the preceding requirement within fifteen (15) months from the date of approval by China Securities Regulatory Commission (hereafter referred as “CSRC”).

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

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

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

Article 22 The Company’s registered capital was RMB175,943,855. After the completion of the issuance of H shares as referred to in the aforesaid Article 19, the Company’s registered capital shall be RMB262,657,855. (MP19)

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

The Company may increase its capital in the following ways:

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

Where the Company raises capital by issuing new shares after the approval pursuant to the requirements of the Company’s Articles of Association, the Company shall handle it in according to the procedures prescribed by the relevant applicable laws of the State and the place of listing of H shares.

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

Shares in the Company held by promoters shall not be transferred within one (1) year from the date of the establishment of the Company.

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

Article 26 All issues or transfers of H shares will be entered into in the register of shareholders for H shares kept in Hong Kong in accordance with the Articles of Association of the Company.

Article 27 H shares issued by the Company may be listed and traded on the Hong Kong Stock

Exchange.

## Chapter 4 Reduction of Capital and Repurchase of Shares

Article 28 As specified in the Articles of Association, the Company may decrease its registered capital. (MP22)

Article 29 Upon the reduction of registered capital, the Company shall prepare a balance sheet and a list of its assets. (MP23)

The Company shall notify its creditors within ten (10) days from the date of passing the resolution for the reduction of registered capital and shall publish the notice at least three (3) times in a newspaper within thirty (30) days thereof. Creditors shall have the right within thirty (30) days from the date of receiving the notice, and the creditors who have not received the notice shall have the right within ninety (90) days from the date the notice was first published in the newspaper, to request the Company to settle the debt or to provide corresponding security in respect of the debt.

(LR App3, para7(1) )

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

Article 30 The Company may purchase its issued shares in accordance with the procedures provided by the Articles of Association after the same having been approved by the relevant regulatory authority of the State in the following circumstances: (MP24)

- (1) to cancel the shares to reduce the registered capital of the Company;
- (2) to merge with other companies holding the shares of the company;
- (3) to offer the shares as incentive to the staffs of the Company;
- (4) shareholders request the Company to purchase their shares due to their disagreements to the resolutions for merger and division of the Company passed at general meetings;
- (5) other circumstances as permitted by laws and administrative rules.

Where shares of the Company are purchased for reasons under the aforesaid items (1) to (3), resolutions shall be passed at general meetings. After shares of the Company are purchased in accordance with the aforesaid requirements, the shares under item (1) shall be canceled within ten (10) days from their purchase and within the time limit stipulated by the applicable laws, administrative regulations and listing rules of the place of listing as required from time to time; the shares under items (2) and (4) shall be transferred or canceled within six (6) months and within the time limit stipulated by the applicable laws, administrative regulations and listing rules of the place of listing as required from time to time.

Where shares of the Company are purchased under item (3) of the first paragraph, it shall not exceed 5% of the total issued shares of the Company. Funds used for the purchase shall be expended out of profits after tax of the Company. The purchased shares shall be transferred to the staffs of the Company within one (1) year.

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

Article 31 The Company may repurchase shares upon approval from the relevant regulatory authority of the State in any of the following ways: (MP25)

- (1) to make a repurchase offer to all shareholders in equal proportion to their

- shareholders;
- (2) to repurchase through open trading on the stock exchange; or
- (3) to repurchase by way of agreement other than through the stock exchange.

Article 32 The Company must obtain prior approval from shareholders at general meetings (in the manner stipulated in the Articles of Association) before it can repurchase shares other than through the stock exchange by means of an off-market agreement. The Company may, by obtaining the prior approval from shareholders at general meetings (in the same manner), release or vary the contract as entered in aforesaid manner, or waive any of its rights under the contract. (MP26)

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

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

Article 33 Shares which have been bought back by the Company pursuant to laws shall be cancelled within the time limit stipulated by laws and administrative regulations, and the Company shall apply to the original companies registration authority for the registration of the change of its registered capital.

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

Article 34 Unless the Company is in the course of liquidation, it must comply with the following provisions in relation to repurchase of its issued shares: (MP28)

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

## Chapter 5

### Financial Assistance for the Acquisition of the Shares of the Company

Article 35 No financial assistance shall be provided at any time and in any manner by the Company and its subsidiaries to any person acquiring or intending to acquire the shares of the Company. The person(s) acquiring the shares of the Company aforesaid shall include the person(s) who undertake(s), directly or indirectly, obligations for the purpose of purchase of shares of the Company. (MP29)

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

This Article shall not apply to the situations as mentioned in article 37 of this chapter.

Article 36 Financial assistance as stated in this chapter includes (without limitation): (MP30)

- (1) gift;
- (2) guarantee (including the assumption of liability by the guarantor or the provision of assets by the guarantor to secure the performance of obligations by the obligor), compensation (other than compensation in respect of the Company's own default) or release or waiver of the rights;
- (3) provision of a loan or any other contract under which the obligations of the Company are to be fulfilled before the obligations of any party to the contract, or a change in the parties of the loan or contract and the assignment of rights under such loan or contract; or
- (4) any other form of financial assistance given by the Company when the Company is insolvent or has no net assets or when its net assets would thereby be reduced to a material extent.

Assumption of obligations as stated in this chapter includes the assumption of obligations by way of contract or by way of arrangement (irrespective of whether such contract or arrangement is enforceable or not, and irrespective of whether such obligation is to be borne solely by the obligor or jointly with other persons) or by any other means which results in a change in financial position.

Article 37 The following acts are not regarded as prohibited by article 35 in this chapter: (MP31)

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

(provided that the net assets of the Company are not thereby reduced or that, to the extent that the assets are thereby reduced, the financial assistance is provided out of distributable profits).

## Chapter 6 Share Certificates and Register of Shareholders

Article 38 The share certificates of the Company shall be in registered form. (MP32)

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

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

Article 39 Share certificates shall be signed by the chairman. If requested by the securities stock exchange where the Company's shares are listed to be signed by other senior management officers of the Company, share certificates shall also be signed by other relevant senior management officers. Signatures of the chairman or other relevant senior management officers of the Company on the share certificates may also be in printed form.

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

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

Article 40 The Company shall establish a register of shareholders which shall contain the following particulars: (MP34)

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

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

Article 41 The Company may, in accordance with the mutual understanding and agreements made between the securities regulatory authority of the State Council and overseas securities regulatory organisations, maintain the register of shareholders of overseas listed foreign shares and appoint overseas agent(s) to manage such share register. The original register of shareholders for H shares shall be maintained in Hong Kong.

(MP35)(LR App.13, Part D para 1(b))

A duplicate of the register of shareholders for holders of overseas listed foreign shares shall be maintained at the Company's residence. The appointed overseas agent(s)

shall ensure consistency between the original and the duplicate register of shareholders for overseas listed foreign shares at all times.

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

Article 42 The Company shall maintain a complete set of register of shareholders. (MP36)

The register of shareholders shall include the following parts:

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

Article 43 Different parts of the register of shareholders shall not overlap. No transfer of any shares registered in any part of the register shall, during the continuance of that registration, be registered in any other part of the register. (MP37)

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

Article 44 All the fully paid-up H shares can be freely transferred (subject to the situation permitted by the Hong Kong Stock Exchange) without the restriction of any lien. However, the board of directors of may refuse to recognise any instrument of transfer without giving any reason unless such transfer is carried out in compliance with the following conditions: (Zheng Jian Hai Han Art. 12)(LR App.3 para 1(2))

- (1) HK\$2.5 (for each copy of transfer instrument) or a higher amount required from time to time by the board of directors but not exceeding the amount approved from time to time by Hong Kong Stock Exchange has been paid to the Company to register the share transfer instrument and any other document relating to or affecting ownership of the shares; (LR App.3, para 1(1))
- (2) transfer instrument is related to H share only;
- (3) stamp tax has been paid for the transfer instrument;
- (4) relevant share certificates and evidence that the transferor has the right to transfer such shares as reasonably required by the board of directors shall be provided;
- (5) if the shares are to be transferred to joint holders, the number of joint holders shall not exceed four (4); (LR App.3, para 1(3))
- (6) the Company has no lien over the relevant shares. (Zheng Jian Hai Han Art. 12)(LR App.3 para 1(2))

Article 45 Changes in the register of shareholders due to the transfer of shares should not be made within thirty (30) days before the general meeting or five (5) days before the record date for the Company's distribution of dividends. (MP38)

Article 46 In the event that the Company convenes a general meeting, distributes dividends, enters into liquidation or carries out other activities necessary for the ascertainment of shareholding, the board of directors shall fix a day for ascertainment of the shareholding and those shareholders who remain on the register of shareholders upon the close of such day shall be the shareholders of the Company. (MP39)

Article 47 Any person who disputes the register of shareholders and requests to have his name (description) registered thereon, or requests to have his name (description) removed therefrom may apply to the court having jurisdiction to rectify the register of shareholders. (MP40)

Article 48 If any shareholder whose name has been registered in the register of shareholders or any person who requests to have his name (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”). (MP41)

In respect of the loss of share certificate(s) by shareholders of domestic shares, the replacement share certificate(s) shall be applied in accordance with relevant requirement under the Company Law.

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

For applications for replacement of lost share certificate(s) relating to holders of H shares, the replacement of such certificate(s) shall be subject to the following requirements:

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

If the consent to the application for (a) replacement certificate(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 announcement to be published.

- (5) Upon the expiry of the 90-day period for the publication and exhibition of the said announcement as provided in paragraphs (3) and (4) of this article and no

objection being received by the Company from any person to the replacement of such certificate(s), (a) replacement share certificate(s) shall be issued pursuant to the applicant's application.

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

Article 49            Upon the issuance by the Company of (a) replacement share certificate(s) pursuant to the provisions of this Articles of Association, the name (description) of a bona fide purchaser who acquired the new share certificate(s) aforesaid or a shareholder who is subsequently registered as the owner of such shares (if a bona fide purchaser) shall not be removed from the register of shareholders. (MP42)

Article 50            The Company shall assume 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 taken fraudulent acts. (MP43)

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

Article 51            A shareholder of the Company is a holder of share(s) of the Company in accordance with relevant laws and whose name (description) is entered in the register of shareholders. (MP44)

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

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

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

Article 52            The ordinary shareholders of the Company shall enjoy the following rights: (MP45)(LR App.3, para9)

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

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

No right shall be exercised to freeze or otherwise damage the rights attached to any shares directly or indirectly held by any person on the ground that the said person has not disclosed his equity to the Company. (LR App3 para 12)

#### Article 53

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

- (1) to comply with the Articles of Association;
- (2) to pay subscription monies according to the number of shares subscribed and the method of subscription;
- (3) not to divest the shares other than as provided by laws or administrative regulations;
- (4) not to abuse their shareholders' right to prejudice the interests of the Company or other shareholders; not to abuse the independence of the Company as a legal person and the limited liabilities of shareholders to prejudice the interests of creditors of the Company;

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

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

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

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

#### Article 54

The Company's controlling shareholders shall bear the obligation of fidelity to the Company and other shareholders, shall exercise the rights of capital contributor strictly in compliance with the laws, administrative regulations, rules and the Articles of Association, and shall not abuse their position as controlling shareholders for unjustified benefits or harm the benefits of the Company and other shareholders.

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

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

The Company's controlling shareholder shall not leverage on his connected relationship to harm the Company benefits. In the event of violations and causing damages to the Company, the controlling shareholder shall be liable to compensations.

#### Article 55

A controlling shareholder referred to in the preceding article means any person who satisfies one of the following conditions: (MP48)

- (1) The person individually or when acting in concert with others is entitled to elect more than half of the directors;
- (2) The person individually or when acting in concert with others is entitled to exercise over thirty per cent (30%) (inclusive) of the voting rights or may control the exercise of thirty per cent (30%) (inclusive) of the voting rights of the Company;
- (3) The person individually or when acting in concert with others holds over thirty per cent (30%) (inclusive) of the Company's shares in issue;
- (4) The person individually or when acting in concert with others, has defacto control over the Company by other means; or
- (5) Any other person defined to be a controlling shareholder under the Listing Rules.

“Acting in concert” in this article refers to the action in which two or more persons arriving at a consensus by way of agreement (whether orally or in writing), to obtain the voting rights in the Company through any one of them, for the purpose of achieving or consolidating the control over the Company.

Article 56 Where a shareholder holding shares carrying five per cent (5%) or more of the total voting rights in the Company provides guarantee for himself or others with the Company’s shares, a report in writing shall be made to the Company on the date of the occurrence of such fact.

## Chapter 8 General Meetings

Article 57 The general meeting is the body conferring authority on the Company, which exercises the following powers in accordance with laws: (MP49)

- (1) to decide on the Company’s operational policies and investment plans; (MP50)
- (2) to elect or remove the directors, and decide on matters relating to the remuneration of directors;
- (3) to elect and replace supervisors who represent the shareholders, and determine remuneration issues of the relevant supervisors;
- (4) to consider and approve reports of the board of directors;
- (5) to consider and approve reports of the supervisory committee;
- (6) to consider and approve the Company’s proposed annual financial budget and final accounts;
- (7) to consider and approve the Company’s proposals for profit distribution and recovery of losses;
- (8) to resolve on the increase or reduction in the Company’s registered capital;
- (9) to resolve on issues such as material external investment, merger, division, dissolution and liquidation of the Company;
- (10) to resolve on the issue of bonds of the Company;
- (11) to resolve on the appointment, removal or cessation of appointment of the Company’s accountants firm;
- (12) to amend the Articles of Association of the Company;
- (13) to consider motions of shareholders representing three per cent (3%) (inclusive) or more of the voting shares in the Company; and
- (14) to resolve on any other matters at general meetings as required under the laws, administrative regulations and this Articles of Association.

Article 58 The Company shall not, without prior approval of shareholders in general meeting, enter into any contract with any person other than a director, supervisor, general manager, deputy general manager or other members of senior management whereby the management of the whole or any substantial part of the business of the Company is to be handed over to such person. (MP51)

Article 59 General meetings shall be divided into annual general meetings and extraordinary general meetings. The general meetings shall be convened by the board of directors. Annual general meetings are held once every year within six (6) months after the last financial year end. (MP52)

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

- (1) when the number of directors falls below the number required by the Company Law or two-thirds of the number required by the Articles of Association;
- (2) when the losses of the Company which have not been made up amount to one-third of the total share capital of the Company;

- (3) upon written requisition of shareholders holding 10 per cent (10%) (inclusive) or more of the issued shares carrying voting rights (excluding the voting rights for proxies) for the convening of an extraordinary general meeting;
- (4) when the board of directors deems necessary or the supervisory committee proposes to convene the same; and
- (5) other circumstances as required under the laws, administrative regulations, departmental rules or the Articles of Association.

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

Article 60 When the Company convenes a general meeting, it shall, not less than forty-five (45) days before the meeting, issue a written notice to all shareholders whose names appear in the register of shareholders setting out matters to be considered and the date and venue of the meeting. Shareholders intending to attend the general meeting shall give the Company a written reply stating his intention to attend the meeting twenty (20) days prior to the date of the meeting. (MP53)

Article 61 Motions in the general meeting shall fulfill the following conditions:

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

Article 62 When the Company convenes a general meeting, shareholders holding more than three per cent (3%) (inclusive) of the Company's voting shares are entitled to raise new motions in writing to the board of directors of the Company. The board of directors shall include those motions falling within the scope of responsibility of the general meeting in the agenda of such meeting. (MP54)

If the board of directors decides not to include a motion in the agenda for a general meeting, it shall provide explanations at such general meeting.

If the shareholder raising a motion opposes the decision made by the Board on not to include his motion in the agenda of the general meeting, he may request convening an extraordinary general meeting in accordance with the relevant procedure as stipulated in this Articles of Association.

Article 63 The Company shall, based on the written replies received by the Company twenty (20) days prior to the date of a general meeting, calculate the number of voting shares represented by shareholders who have indicated their intention to attend the meeting. Where the number of voting shares represented by such shareholders reaches half of the Company's total number of voting shares, the Company may convene the general meeting. Otherwise, the Company shall, within five (5) days, inform the shareholders again of the motions to be considered, the date and venue of the meeting by way of a public announcement. After making the announcement, the general meeting may be convened. (MP55)

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

Article 64 A notice of general meeting shall meet the following requirements: (MP56)

- (1) be in writing;
- (2) specify the venue, date and time of the meeting;
- (3) state the matters to be discussed at the meeting;

- (4) provide such information and explanation as are necessary for the shareholders to make an informed decision on issues to be discussed; including (but not limited to) where a proposal is made to amalgamate the Company with another, repurchase shares of the Company, reorganise the share capital, or restructure the Company in any other way, the terms of the proposed transaction must be provided in detail together with copies of the proposed contract, if any, and the cause and effect of such proposal must be properly explained;
- (5) contain a disclosure of the nature and extent of the material interests of any director, supervisor, general manager, deputy general manager or other member of senior management in the matters to be discussed and the effect of the matters to be discussed on such director, supervisor, manager, or other member of senior management in his capacity as shareholder in so far as it is different from the effect on the interests of other shareholders of the same class;
- (6) contain the full text of any special resolution to be proposed at the meeting;
- (7) contain a clear statement that a shareholder entitled to attend and vote is entitled to appoint one or more proxies to attend and vote at such meeting on his behalf and that a proxy need not be a shareholder;
- (8) specify the time and place for lodging the proxy form for the relevant meeting.

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

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

Article 65 Notice of general meeting shall be served on each shareholder (whether or not such shareholder is entitled to vote at the meeting), by personal delivery or prepaid airmail to the addressee as shown in the register of shareholders. For the holders of domestic shares, notice of the meetings may also be issued by way of public announcement.

Subject to the compliance of laws and regulations at the place of registration and listing, and Listing Rules, the notice of general meeting may be dispatched in the way in accordance with article 196 of this Articles of Association. (LR2. 07A)

The public announcement referred to in the preceding paragraph shall be published in one or more newspapers designated by the securities regulatory authority of the State Council within the interval between forty five (45) days (excluding the date of meeting) and fifty (50) days (excluding the date of meeting) before the date of the meeting; after the publication of such announcement, the holders of domestic shares shall be deemed to have received the notice of the relevant general meeting.

(LR App3, para7(1))

Article 66 The accidental omission to give notice of a meeting to, or the non-receipt of notice of a meeting by, any person entitled to receive notice shall not invalidate that meeting or any resolutions passed thereat. (MP58)

Article 67 Any shareholder who is entitled to attend and vote at a general meeting shall be entitled to appoint one or more persons (whether a shareholder or not) as his proxies to attend and vote as directed by the shareholder, and a proxy so appointed shall: (MP59)

- (1) have the same right as the shareholder to speak at the meeting; and
- (2) have the right to vote on a poll.

Article 68 The instrument appointing a proxy must be in writing under the hand of the Shareholder or his attorney duly authorised in writing. For a legal person

Shareholder, the instrument must be affixed with the common seal or signed by its director, or an attorney or a person duly authorised. (MP 60)

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

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

Article 69 An instrument appointing a proxy shall be deposited at least 24 hours prior to the commencement of the relevant meeting at which the proxy is appointed to vote or 24 hours before the time appointed for voting at the registered address of the Company or such other place as the notice of meeting may specify. If the instrument appointing a proxy has been signed by a person authorised by the appointor, the power of attorney or other instruments of authorisation shall be notarised. The power of attorney or other instruments of authorisation so notarised together with the proxy form shall be deposited at the registered address of the Company or such other place as the notice of meeting may specify. (MP61)

In the event that the appointor is a legal person, such shareholder shall be represented at the shareholders' meeting of the Company by its legal representative or the person authorised by the board of directors or other governing body of such appointor.

In the event that a shareholder of the Company is a recognised clearing house (as defined in the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), it may appoint a proxy (or proxies) it considers appropriate to attend any general meeting or class meeting of the Company. If more than one proxy is appointed, the proxy form to appoint such proxy (or proxies) shall set out the number and class of shares such proxy (or proxies) is (are) authorised for. The person (or persons) so authorised is (are) entitled to exercise the right of and on behalf of the clearing house (or its nominee) as if such shareholder is an individual shareholder of the Company.

Article 70 The instrument delivered to a shareholder by the board of directors of the Company for appointing a proxy shall be in such form so as to enable the shareholder to instruct freely at his choice the proxy to vote in favour of or against and to give instruction on each item of the business put to vote at the meeting. Such instrument of proxy shall specify that in default of instruction from the shareholder, the proxy may vote in such a way as he thinks fit. (MP62)

Article 71 Notwithstanding the death or incapacity of the appointor, or the revocation of the appointment or revocation of the authority under which the appointing instrument is signed, or the relevant shares have been transferred, a vote given by such proxy pursuant to the instrument of appointment shall still be valid provided that no notice in writing in respect of the events mentioned above has been received by the Company prior to the commencement of the relevant meeting. (MP63)

Article 72 An individual shareholder who attends the general meeting in person shall produce his identification card and evidence of shareholding. Where the shareholder appoints a proxy to attend the meeting, the proxy shall produce his identification document and the form of proxy duly signed by the appointor.

A corporate shareholder who attends the general meeting shall be represented by its legal representative, board of directors, or a person as authorised by other decision-making body (hereafter referred as “Legal Representative”). If a corporate shareholder appoints Legal Representative to attend the general meeting, the Legal Representative shall produce his identity card, and a notarised copy of the resolution of the board of directors or other authority body of the legal person (other than recognised clearing house or its nominee) who appoints such Legal Representative, or other certified true copy as permitted by the Company.

Article 73 The Company shall be responsible for the preparation of the register of attendant of the meeting. The attendant register shall bear the names of the participants (or names of the entities), identity card numbers, addresses of domicile, numbers of shares with voting rights held or represented, names of the appointors (or names of the entities) and so on.

Article 74 The supervisory committee may propose to the board of directors to convene an extraordinary general meeting. The supervisory committee shall raise in writing the agenda of the meeting and motions with complete contents to the board of directors. The supervisory committee shall ensure that the contents in the motion comply with the laws, administrative regulations and the Articles of Association.

The board of directors shall, in accordance with the laws, administrative regulations and this Articles of Association, make feedback in writing whether agree or disagree to convene an extraordinary general meeting within ten (10) days after receiving such motion.

The board of directors will give the notice of holding the extraordinary general meeting within five (5) days after making the resolution in case of agreeing to hold an extraordinary general meeting. Any alteration to the original motion in the notice shall be agreed by the supervisory committee. Procedures for convening the meeting shall comply with the requirements under the Articles of Association.

The board of directors shall be deemed to be unable to or refuse to perform the duties of convening the general meeting in the event that the board of directors disagrees to hold an extraordinary general meeting or does not give the feedback within ten (10) days after receiving the motion. The supervisory committee may convene and preside over such extraordinary general meeting by itself. Procedures for convening the meeting shall comply with the requirements under the Articles of Association.

Where a general meeting is convened by the supervisory committee, expenses incurred by the meeting shall be borne by the Company.

Article 75 Shareholders requesting the convening of an extraordinary general meeting or class meeting shall conduct in accordance with the following procedures: (MP72)

- (1) Two or more Shareholders in aggregate holding ten per cent (10%) (inclusive) of the voting rights in the meeting to be held may execute one or more requests in writing with the same form and contents, **requesting** the Board of Directors to convene an extraordinary general meeting or class meeting, and setting out the agenda of the meeting.

Upon receipt of the aforesaid request in writing, the Board of Directors shall, in accordance with the laws, administrative regulations and the Articles of Association together with specific situation, decide whether or not to convene the general meeting, and respond to the Shareholders raising such proposal on the decision whether or not to convene the general meeting.

If the Board of Directors decides to agree to convene the general meeting, a

notice of convening the extraordinary general meeting or class meeting shall be despatched at the earliest possible. Alternations to the original request in the notice shall be agreed by the Shareholders who made the proposal. After the issue of the notice, no new motion shall be further made by the Board of Directors, and no changes or postponement shall be made to the time of convening the general meeting without the agreement of the Shareholders raising the proposal.

The aforesaid shareholding shall be based on the date the shareholders making such request in writing.

- (2) If the Board of Directors fails to issue a notice for convening the meeting within ten (10) days after the receipt of the written request, the Shareholder making such request may convene the meeting by his own within four (4) months after the receipt of such request by the Board of Directors. The procedures for convening the meeting shall where possible be the same as the procedures for convening general meeting by the Board of Directors.

The reasonable expenses incurred shall be borne by the Company and be deducted from the payment that the Company owed to directors who breach their duties, in the event that the Shareholders convene and hold the meeting by themselves as the board of directors do not hold the meeting as requested.

Article 76 In respect of general meeting convened by the supervisory committee or shareholders themselves, the board of directors and the board secretary shall provide co-operations.

Article 77 Resolutions of general meetings shall be classified as ordinary resolutions and special resolutions. (MP64)

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

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

Shareholders (including proxies) attending the meeting should on a poll taken for each matter vote clearly in favor or against it. For abstain and abstain from voting, the Company would not treat these shares with voting right in calculating the result of voting on such matter.

Article 78 When shareholders (including proxies) vote in the general meeting, and exercise the voting rights by the number of voting shares they represent, each share shall have one vote. However, shares of the Company held by the Company shall have no voting rights. (MP65)

Where any shareholder is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted. (LR App.3, para 14)

Article 79 Pursuant to the Listing Rules, any vote of shareholders must be taken by poll, and the Company must announce the results of the poll in the manner prescribed in the Listing Rules. (LR Rule 13.39(4))

- Article 80 If a vote is demanded for the election of the chairman or the adjournment of the meeting, a poll shall be taken immediately; in respect of votes for other matters, the time for such a poll shall be decided by the chairman of the meeting and other business may be proceeded with at the meeting. The result of such a poll shall still be deemed as a resolution passed at the meeting. (MP67)
- Article 81 On a poll taken at a meeting, shareholders (including their proxies) who are entitled to two votes or more are not required to cast all their votes in favour of or against a resolution. (MP68)
- Article 82 Where negative votes equal affirmative votes, the chairman of the meeting is entitled to one additional vote. (MP69)
- Article 83 The following matters shall be passed by ordinary resolution at a general meeting: (MP71)
- (1) the working reports of the board of directors and the supervisory committee;
  - (2) plans for profit distribution and for making up of losses proposed by the board of directors;
  - (3) appointment and removal of the members of the board of directors and the members of the supervisory committee and their remuneration and method of payment; (LR App3 para4(3))
  - (4) annual budget, statement of final accounts, balance sheet, profit and loss statement and other financial statements of the Company; and
  - (5) other matters other than those shall be passed by special resolution at a general meeting as stipulated by laws, administrative regulations or this Articles of Association.
- Article 84 The following matters shall be passed by special resolutions in the general meeting: (MP71)
- (1) Increase or decrease of share capital, and issue of any class of shares, warrants and other similar securities by the Company;
  - (2) Issue of the Company's debentures;
  - (3) Split, merger, dissolution and winding up of the Company;
  - (4) Amendments to the Articles of Association;
  - (5) Purchase, sale of material assets or amount of guarantee exceeding 30% of the Company's total assets made by the Company within one year;
  - (6) Share Incentive Plans of the Company;
  - (7) Ordinary resolutions passed in the general meeting in respect of other matters which are considered to have material impact on the Company and required to be passed by special resolutions.
- Article 85 Any resolution passed at general meetings shall comply with the relevant provisions of the laws and administrative regulations of the PRC, and this Articles of Association.
- Article 86 The general meeting shall be convened and presided by chairman of the board of directors; where the chairman of the board of directors is unable to attend the meeting, it shall be convened and presided by the vice chairman of the board of directors; where both chairman and vice chairman of the board of directors are unable to attend the meeting, the Board may appoint a director to convene and preside the meeting; where chairman of the meeting is not appointed, the shareholders attend the meeting may elect one person to preside as chairman of the meeting; where the shareholders fail to elect chairman of the meeting for any reason, the shareholder (including the proxy) attending the meeting holding the largest number of shares carrying voting rights shall preside as chairman of the meeting. (MP73)

- Article 87           The chairman of the meeting shall be responsible for determining whether a resolution of the general meeting is passed or not and his determination shall be final and the same shall be announced at the meeting and entered into the minutes of the meeting.  
(MP74)
- Article 88           In the event the chairman of the meeting has any doubt as to the result of voting on any resolution, he may have the votes counted. If the chairman of the meeting does not make a count of such votes but any shareholder or proxy present at the meeting disputes the result announced by the chairman of the meeting, such shareholder or proxy shall be entitled to request a count of the votes immediately after the declaration of the result has been made and the chairman of the meeting shall forthwith proceed with such a count.  
(MP75)
- Article 89           In the event a count of the votes has been made at a general meeting, the result thereof shall be entered into the minutes of the meeting.
- Minutes of the meeting together with the register of attendance and the powers of attorney of the attending proxies, shall be kept at the Company's domicile for a period of ten (10) years.  
(MP76)
- Article 90           A shareholder shall be entitled to inspect copies of minutes of 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 (7) days of the receipt of the reasonable payment therefore.  
(MP77)

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

- Article 91           Shareholders holding different classes of shares shall be classified as class shareholders.  
(MP78)
- Class shareholders shall enjoy the rights and shall undertake the obligations pursuant to the provisions of laws, administrative regulations and this Articles of Association.
- Article 92           Any proposed change or annulment by the Company to the rights of class shareholders shall not come into effect unless approved by special resolutions at a general meeting and a separate general meeting convened by the class shareholders so affected in accordance with articles 93 to 97.  
(MP79)
- Article 93           The following situations shall be considered as a variation or abrogation of the rights of certain class shareholders:  
(MP80)
- (1) to increase or reduce the number of shares of such class of shares or to increase or reduce the number of shares in a class of shares vested with equal or more rights on voting, distribution or other privileges;
  - (2) to exchange all or part of the shares of such class, or to exchange or grant the rights to exchange of all or part of the shares of another class into the shares of such class;
  - (3) to cancel or reduce the rights of that class of shares to receive dividends declared or accumulated;

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

Article 94

The affected class shareholders, whether or not originally having voting rights in the general meeting, when involving matters in articles 93 (2) to (8), (11) to (12), shall have voting rights in the class meeting, except for interested Shareholders who shall have no voting rights in the class meeting. (MP81)

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

- (1) When the Company issues purchase offer in the same proportion to all Shareholders pursuant to article 32 of the Articles or purchase its own Shares on the stock exchange through public transactions, “interested shareholders” shall refer to the controlling shareholders as defined in article 56 of the Articles of Association;
- (2) When the Company purchases its own Shares outside the stock exchange by way of agreement pursuant to article 32 of the Articles, “interested shareholders” shall refer to Shareholders relating to such agreement;
- (3) In the Company’s reorganisation plan, “interested shareholders” shall refer to Shareholders undertaking responsibilities at lower proportions than other Shareholders in such class or Shareholders having different benefits from other Shareholders in such class.

Article 95

Resolutions of a class general meeting shall be approved by votes representing more than two-thirds of the voting rights of class shareholders present at the meeting who, in accordance with Article 93, are entitled to vote at the meeting. (MP82)(LR App.3, para 6(2))

Article 96

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

Company written replies of their intention to attend twenty (20) days (excluding the date of issue of notice and date of meeting) prior to the meeting. (MP83)

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

Article 97 Notice of the meeting of class shareholders need only be served on the shareholders who are entitled to vote at such meeting. (MP84)

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

Article 98 Apart from the shareholders of other classes of shares, the shareholders of domestic shares and shareholders of overseas listed foreign shares are deemed to be different classes of shareholders.

(MP85)(Zheng Jian Hai Han Art. 3) (LR App13, PartD para 1(f))

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

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

## **Chapter 10 Board of Directors**

Article 99 The company establishes the Board. The Board shall have eleven (11) directors, one(1) board chairman, two (2) deputy chairmen, five (5) executive directors, three (3) non-executive directors and three (3) independent non-executive directors. (MP86)

Where necessary, the Board may establish special committee of strategy and auditing and so on.

Article 100 The Directors shall be elected by the general meeting for a term of three (3) years, and upon expiry of their terms, shall be eligible for re-election. (MP87) (Zheng Jian Hai Han Art. 4)

The minimum length of the period, during which notice to the Company of the intention to propose a person for election as director and during which notice to the

Company by such person of his willingness to be elected may be given, will be at least seven (7) days. (LR App.3, para4(4))

The period for lodgment of the abovementioned notices will commence no earlier than the day after the dispatch of the notice of the meeting appointed for such election and end no later than seven (7) days prior to the date of such meeting. (LR App.3, para4(5))

The chairman and vice chairman shall be elected and removed by more than half of all the directors. The term of the chairman and vice chairman shall be three (3) years, and upon expiry of their terms, shall be eligible for re-election. (MP87)

Subject to the compliance with the applicable laws and regulations, the Company in general meeting shall have power by ordinary resolution to remove any director (including a managing or other executive director, but without prejudice to any claim for damages under any contract) before the expiration of his period of office. (LR App.3, para4(3))

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

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

If permitted by PRC regulations, the Listing Rules or other relevant regulations, any person appointed by the board of directors to fill casual vacancy of the board of directors or newly appointed as a director shall have a term to expire at the next annual general meeting, and such person shall be eligible for re-election. (LP App.3 para 4(2))

An Executive Director may also be the Company's general manager, deputy general manager or other senior management (other than a supervisor).

Upon changing of a new session of the board of directors, external directors shall represent over half of the number of directors in the board of directors, and shall have more than two independent non-executive directors.

The Company's independent non-executive directors shall have requisite professional expertise and experience, and shall be able to represent the benefits of all shareholders. At least one of the independent non-executive directors shall normally be a Hong Kong resident.

Independent non-executive directors shall have sufficient time and requisite knowledge and capabilities to discharge their duties. During the discharge of duties by the independent non-executive directors, the Company shall provide the required information. The independent non-executive directors may directly report to, among others, the general meeting, the securities regulatory authority of the State Council and other relevant authorities. ("Opinion" Art. 6)

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

#### Article 101

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

- (1) to convene general meeting, and to report their works to the general meeting;
- (2) to implement resolutions of the general meeting;
- (3) to decide the Company's operation plans and investment plans;
- (4) to formulate the Company's annual financial budgets and final accounts;
- (5) to formulate the Company's plans for profit distribution and making up of losses;

- (6) to formulate any plan for increase or reduction in the Company's registered capital and the issue of the Company's debentures;
- (7) to device material external investment plans of the Company, material acquisition or disposal plans, and merger, demerger, dissolution plans of the Company;
- (8) to consider and approve connected transactions required to be approved by the board of directors under the laws, administrative regulations or other regulatory documents;
- (9) to decide the Company's internal management structure;
- (10) to appoint or remove the Company's general manager, and pursuant to the nomination of the general manager, to appoint or remove the Company's deputy general manager, financial chief or board secretary, and to decide their remuneration;
- (11) to formulate the basic management system of the Company;
- (12) to formulate amendments to the Articles of Association of the Company;
- (13) other powers as may be required by the Articles of Association or granted from the general meeting.

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

Article 102

The board of directors shall not dispose or agree to dispose of any fixed assets of the Company without the prior approval of a general meeting if the aggregate of the expected consideration for the proposed disposition and the consideration for any disposal of fixed assets of the Company during a period of four (4) months immediately preceding the proposed disposal, exceeds thirty-three per cent (33%) of the fixed asset value as shown in the latest balance sheet reviewed by the general meeting. (MP89)

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

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

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

Article 103

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

Article 104

The chairman of the board of directors shall exercise the following functions and powers: (MP90)

- (1) to preside over general meetings, and to convene and chair the meetings of the board of directors;
- (2) to review the implementation of the resolutions of the board of directors;
- (3) Sign the share certificates issued by the company; and
- (4) other functions delegated by the board of directors

Where the chairman of board of directors is unable or fails to fulfill his duty, the deputy chairman shall perform the duty; where the deputy chairman is unable or fails to fulfill his duty, a director shall be elected by more than half of the total number of

directors to fulfill the duty.

Article 105 The board of directors shall convene at least four (4) regular meetings per year convened by the chairman of the board of directors and shall notify all of the directors fourteen (14) days in advance of the convention of the meeting, exclusive of the date of meeting.

The chairman shall convene and preside over the extraordinary meeting within ten (10) days after receiving the proposal under the following circumstances:

- (1) proposed by shareholders representing more than one-tenth of the voting right;
- (2) jointly proposed by more than one-third of the total members of the board of directors;
- (3) proposed by the supervisory committee;
- (4) necessary as defined by the chairman of the board of directors.

Article 106 Notice of board meetings and extraordinary board meetings shall be served in the following ways: (MP92)

- (1) If the board of directors has not set the time and place for the regular board meeting or amends the time and place of the regular board meeting previously set, the chairman shall notify all directors of the time and place of the regular board meeting at least fourteen (14) days (excluding the date of the meeting) in advance by telegram, telex, facsimile, speed post or registered mail or by hand.
- (2) Notices shall be in Chinese and, if necessary, may be attached with a copy in English, with meeting agenda attached. Any director may waive the rights for requesting to receive the notice of board meetings.
- (3) If a director has attended the meeting, and has not raised objection of not having received the notice of meeting before or upon attending the meeting, then he shall be deemed to have received the notice of the meeting.

Article 107 In respect of any material issue requiring a decision to be made by the Board, a notice shall be sent to all the directors in accordance with Article 106 together with sufficient information, in strict accordance with the specified procedure.

Where more than one fourth of directors or more than three (3) independent non-executive directors deem the information on the items for resolution as inadequate or the certification as unclear, they may jointly propose to adjourn the Board meeting or suspend discussing some topics, and the Board shall adopt such a proposal.

Article 108 Any ordinary or extraordinary meetings of the board of directors may be held by conference telephone or similar communication equipment so long as all directors participating in the meeting can clearly hear and communicate with each other, all such directors shall be deemed to be present in person at the meeting.

Article 109 Save otherwise specified in this Articles of Association or in the listing rules of the stock exchange with which the Company's shares are listed, the Board may adopt written resolutions in lieu of Board meeting, but the draft of the said resolutions must be sent to every director by personal delivery, post, telegraph or fax. If the number of the directors signing on the draft satisfies the quorum, and the resolutions has been sent to the secretary of the Board by the aforesaid means, the said resolutions shall be deemed as the Board resolution, no convention of Board meeting will be necessary.

Article 110 A written resolution signed separately by all directors is as effective as a board meeting duly convened. Such written resolution may have more than one copy of each signed by one or more than one director. A resolution signed by a director or with the his name on it issued by telegraph, telex, mail, fax or by hand shall be considered as a signed document signed by him for the purposes of this article.

Article 111 Save as otherwise provided in the laws, administrative regulations or this Articles of Association, a board meeting shall be held only if half of the directors attend the meeting. (MP93)

Each director shall have one vote. Save as otherwise provided in the laws, administrative regulations or this Articles of Association, a resolution made by the Board shall be approved by the majority of all directors.

Article 112 Meetings of the board of directors shall be attended by the directors in person. If any director is unable to attend for whatever reason, he may appoint in writing other directors to attend the meeting of the board of directors on his behalf. The instrument of appointment shall specify the scope of the authorisation. (MP94)

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

Article 113 The board of directors shall cause the decisions of the matters discussed at the meeting to be recorded on the minutes thereof. (MP95)

At the Board meeting, opinions (particularly opinions opposing that of executive directors on any issues discussed) expressed by independent non-executive directors shall be stated in minutes of the board meeting.

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

The directors present at the meeting and the person recording the minutes shall sign on such minutes. The directors are liable for the resolutions passed at the meeting of the board of directors. If a resolution of the board of directors contravenes the laws, administrative regulations or this Articles of Association causing the Company to sustain substantial losses, the directors involved in passing such resolutions shall be liable to indemnify the Company provided that if a director can prove that he made an objection during the voting and the same has been entered into the minutes of the meeting, such director may be discharged from liability. (MP95)

Minutes of the Board meeting are kept as files of the Company for ten (10) years.

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

Article 114 The Company shall have a secretary to the board of directors. The secretary to the board of directors shall be a senior management of the Company. (MP96)

Article 115 The Company's board secretary shall be a natural person having professional knowledge and experience, and appointed by the board of directors. The provisions in the Articles of Association relating to person excluding for being a director shall be applicable to the board secretary. His major duties are: (MP97)

- (1) to guarantee that the Company has maintained complete constitutional documents and records;
- (2) to ensure that the Company shall prepare and submit reports and documents requested by competent authorities in accordance with the laws;
- (3) to guarantee that the Company's register of shareholders has been properly maintained, and that persons who are entitled to receive the relevant records and documents of the Company receive the relevant records and documents in a timely manner;
- (4) to perform other duties required by the laws, administrative regulations and the Articles of Association.

Article 116 Directors or other senior managerial officers of the Company may at the same time act as the secretary to the board of directors of the Company. An accountant of the accounting firm and solicitor of the solicitors' firm engaged by the Company shall not at the same time act as the secretary to the board of directors. (MP98)

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

## **Chapter 12 General Manager of the Company**

Article 117 The Company shall have one general manager appointed or dismissed by the board of directors. (MP99)

Article 118 The general manager of the Company shall be accountable to the board of directors and shall perform the following functions: (MP100)

- (1) to be in charge of the production and business operation of the Company and to organise the implementation of the resolutions of the board of directors;
- (2) to organise the implementation of the annual business plan and investment program of the Company;
- (3) to prepare proposals for the establishment of internal management bodies of the Company;
- (4) to prepare the basic management systems of the Company;
- (5) to formulate basic rules and regulations of the Company;
- (6) to propose for the appointment or dismissal of deputy general manager and the officers in charge of financial matters of the Company;
- (7) to appoint or dismiss principal management staff other than those to be appointed or dismissed by the board of directors;
- (8) to decide upon the wages, benefits, reward, promotion and demotion, increase and reduction of salary, appointment, employment, removal and dismissal of staff and workers of the Company;

- (9) to propose to convene an extraordinary board meeting; and
- (10) other functions designated by the Articles of Association and the board of directors.

Article 119 The general manager may attend the meetings of the board of directors, but the general manager, not being a director, shall not have the right to vote in the meetings of the board of directors. (MP101)

Article 120 In performing his functions and powers, the general manager shall not alter the resolutions of the general meeting or those of the board of directors or exceed the scope of his authority.

Article 121 When exercising his power, the general manager of the Company shall perform fiduciary and diligent duties in accordance with the laws, administrative regulations and the Articles of Association. (MP102)

### **Chapter 13 Supervisory Committee**

Article 122 The Company shall have a supervisory committee. It exercises its functions by monitoring the board of directors and its members, general managers and other management officers, and preventing their abuse of power, violation of the rights and interests of shareholders, the Company and the Company's employees. (MP103)

Article 123 The supervisory committee consists of five (5) supervisors, one of them shall be the chairman of the supervisory committee. The term of office of the supervisor is three (3) years and may be re-elected. (MP104)

Election or removal of the chairman of the supervisory committee shall be passed by voting over two-thirds (inclusive) of the members of the supervisory committee. The chairman of the supervisory committee shall be eligible for re-election. (LR App13, PartD para 1(d)(i))

When the term of a supervisor expires and a re-election cannot be organised in time, the supervisor must perform the duties of a supervisor according to the laws, regulations and this Articles of Association until a new supervisor is elected and acceded.

Where a supervisor resigns within his term of his appointment, and causes the number of members of the supervisory committee to fall below the quorum, the resignation of the supervisor shall be effective only after the succeeding supervisor fills the vacancy resulting from his resignation.

Article 124 The supervisory committee shall comprise staff representative supervisors, external supervisors and shareholder representative supervisors. Staff representative supervisors in the supervisory committee shall not be less than one-third of the number of supervisors, and there must be at least two external supervisors.

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

staff representative supervisors shall be democratically elected and removed by the staff of the Company. (MP105)

Article 125 Directors, general manager, deputy general manager and person in charge of finance shall not act as supervisor concurrently. (MP106)

Article 126 The supervisory committee shall convene a meeting once every six (6) months and the same shall be convened by the chairman of the supervisory committee. (MP107)

Where the chairman of the supervisory committee deems it necessary or other supervisors propose, the chairman of the supervisory committee shall convene an extraordinary meeting of the supervisory committee within ten (10) working days.

Article 127 Supervisory committee is responsible to the general meeting and exercises the following authorities in accordance with the law: (MP108)

- (1) to inspect the company's finance;
- (2) to supervise directors, general managers, deputy general managers and other senior management staff who perform actions that are in violation of the laws, the administrative regulations and the Articles of Association when exercising their duties;
- (3) to demand a correction when actions conducted by any director, general managers, deputy general managers or any other senior management staff damage the interests of the Company;
- (4) to check financial information such as the financial report, operating report and profit distribution plan to be submitted to the general meeting by the board of directors. If any doubt is identified, the supervisory committee may, in the name of the Company, entrust certified public accountants and practising auditors to assist in conducting a review;
- (5) to propose an extraordinary general meeting to be convened;
- (6) to negotiate with or take up lawsuits against the directors on behalf of the company; and
- (7) other authorities as provided in the Articles of Association.

Supervisors are present at board meetings.

Article 128 If a meeting of the supervisory committee is convened, a notice shall be sent to all supervisors in writing not less than two (2) days (excluding the date of the meeting) before the convening of the meeting. The notice of the meeting shall contain the following content: the date, venue and duration of the meeting, the purpose and the items to be considered.

A resolution of the supervisory committee shall be approved by more than two-thirds (including two-thirds) of all members of the supervisory Ccommittee. (MP109, LR App.13, Part D para 1(d)(ii))

Article 129 A supervisor shall attend the meeting of the supervisory committee in person after receiving the notice. If a supervisor is unable to attend the meeting in person because of any reason, he may entrust other supervisors in writing to attend the meeting on behalf of him. External supervisors may entrust other external supervisors to attend the meeting on behalf of him.

The instrument of proxy shall state the name of the entrusted supervisor, the entrusted matters, authority and valid period and shall be signed or stamped by the person appointing the proxy.

The supervisor entrusted to attend the meetings shall exercise the rights of a supervisor within his scope of authority. A supervisor who fails to attend a meeting

and has not appointed a proxy to attend the meeting shall be deemed to have waived his voting right at the meeting.

Article 130 Meetings of the supervisory committee can vote and resolve matters by means of communications with the signature of attending supervisors provided that the supervisors can fully express than opinions.

Article 131 Meetings of the supervisory committee shall vote by way of open ballot or by means of communications. Based on the voting results, resolutions of the meetings shall be announced and its way of passing shall be reported. Voting results shall be recorded in the minutes of meetings.

Article 132 Minutes shall be taken in supervisory committee meetings, and supervisors attending the meeting and the minute taker shall sign on the minutes of the meetings and be accountable to the supervisory committee. However, if a supervisor is proved to have made an objection during the voting and his objection has been recorded in the minutes, such supervisor can be released from responsibilities. A supervisor is entitled to request for certain explanatory records to his speech in the meeting.

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

Article 133 The reasonable expenses of the supervisory committee incurred in engaging professionals such as lawyers, registered accountants and certified public auditors in the course of carrying out the duties of the supervisory committee shall be borne by the Company. (MP110)

Article 134 Supervisors shall faithfully perform the duties of a supervisor in accordance with laws, administrative regulations and the Articles of Association. (MP111)

## **Chapter 14                      Qualifications and Obligations of Directors, Supervisors, General Mangers, Deputy General Managers and other Senior Management of the Company**

Article 135 The occurrence of any one of the following events shall disqualify a person from being a director, supervisor, general manager or other senior managerial officers of the Company: (MP112)

- (1) lacking capacity in taking civil action or such capacity being restricted;
- (2) being convicted of committing corruption, bribery, misappropriation or embezzlement of properties or violating social and economic order, and not more than five (5) years have elapsed since the expiration of the enforcement of the punishment; or being deprived of political rights due to conviction and not more than five (5) years have elapsed since the expiration of the enforcement period;
- (3) being a director or factory manager, manager of a company or enterprise being liquidated as a result of improper operation and management of which he shall be personally liable for such liquidation and not more than three (3) years have elapsed since the date of completion of the liquidation of such company or enterprise;
- (4) being the legal representative of a company or enterprise of which the business



Article 139

In performing his duties, a director, supervisor, general manager, deputy general manager and other senior managerial officer of the Company shall observe the fiduciary principle and shall not put himself in a position where his personal interests and the obligations undertaken may conflict. Such principle shall include (but not limited to) the undertaking of the following obligations: (MP116)

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

Article 140

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

- (1) the spouse or minor children of a director, supervisor, general manager, deputy general manager and other senior managerial officers of the Company;
- (2) the trustee of a director, supervisor, general manager, deputy general manager and other senior managerial officers of the Company or of the persons mentioned in paragraph (1) of this article;
- (3) the partner of a director, supervisor, general manager, deputy general manager and other senior managerial officers of the Company or of the persons mentioned in paragraphs (1) and (2) of this article;

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

Article 141           The fiduciary duties of a director, supervisor, general manager, deputy general manager and other senior managerial officers of the Company do not necessarily cease upon the expiry of his term of office. The obligations to keep the commercial secrets of the Company confidential shall survive the expiry of his term of office. The continuance of the other obligations shall be determined on a fair basis depending on the length of the time between its occurrence and his departure from office and the circumstances and conditions under which the relation with the Company was terminated. (MP118)

Article 142           The liability of directors, supervisors, general managers, deputy general managers and other senior managerial officers of the Company for breaching a given obligation may be exempted through an informed resolution given by shareholders at a general meeting, save for the circumstances specified in article 55 of this Articles of Association. (MP119)

Article 143           Directors, supervisors, general managers, deputy general managers and other senior managerial officers of the Company who, directly or indirectly, have a material interest in any contracts, transactions or arrangements entered into or proposed to be entered into by the Company (save for the employment contracts entered into by the Company and its directors, supervisors, general managers, deputy general managers and other senior managerial officers) shall disclose to the Board the nature and extent of such interest as soon as possible irrespective of whether such matters require the permission of the Board under normal circumstances. (MP120)

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

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

Directors shall not vote on any resolutions of the Board in respect of any contracts, transactions, arrangements or other proposals in which he or any of his connected persons has any material interest and shall not be counted as the quorum when determining whether the quorum of a meeting has been met. (LR App.3, para 4(1))

Article 144           In the event that a director, supervisor, general manager, deputy general manager or other senior managerial officer of the Company notifies the board of directors in

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

Article 145 The Company shall not in any manner pay tax on behalf of any of its directors, supervisors, general managers, deputy general managers and other senior managerial officers. (MP122)

Article 146 No loans or guarantees for loans shall be provided, directly or indirectly, by the Company to a director, supervisor, general manager, deputy general manager and other senior managerial officers of the Company and those of its parent company, nor shall such loans or guarantee for loans be provided to the related persons of the above-mentioned persons. (MP123)

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

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

Article 147 If the provision of a loan made by the Company is in breach of the provisions of the preceding Article, the recipient of the sum of money shall repay the same forthwith regardless the terms of such loan. (MP124)

Article 148 Guarantees for loans provided by the Company in contravention of the provisions of paragraph 1 of article 146 of this Articles of Association shall be unenforceable against the Company except under the following situations: (MP125)

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

Article 149 The guarantee referred to in the preceding article shall include the assumption of obligations by the guarantor or the provision of property to secure the performance of obligations by the obligor. (MP126)

Article 150 In the event that a director, supervisor, general manager, deputy general manager and any other senior managerial officers of the Company shall be in breach of his obligations to the Company, the Company shall be entitled to take the following measures apart from the various rights and remedies provided by laws and

administrative regulations; (MP127)

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

Article 151 The Company shall enter into a contract in writing with directors and supervisors of the Company in respect of remuneration, the terms of which shall have obtained the prior approval at a general meeting. The terms of the remuneration matters as aforesaid shall include: (MP128)

- (1) the remuneration for acting as a director, supervisor or other senior managerial officer of the Company;
- (2) the remuneration for acting as a director, supervisor or other senior managerial officer of a subsidiary of the Company;
- (3) the remuneration for provision of other services in the management of the Company and its subsidiaries; and
- (4) the payment for compensation for loss of office or retirement of such directors or supervisors.

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

Article 152 There shall be a provision in the contract in relation to remuneration made between the Company and a director or supervisor of the Company that the director or the supervisor of the Company shall be entitled to the compensation or other payments as a result of loss of office or retirement when the Company is to be taken over, provided that prior approval shall have been obtained at a general meeting. A takeover of the Company referred to above shall mean one of the following situations: (MP129)

- (1) a takeover offer to all shareholders has been made by any person; and
- (2) a takeover offer has been made by any person to enable the offer or to become the controlling shareholder. The meaning of "controlling shareholder" is the same as

that defined in article 56 of this Articles of Association.

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

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

Article 153 The Company shall set up the financial accounting system and internal control system of the Company in accordance with laws, administrative regulations and the provisions of the PRC accounting standards formulated by the finance regulatory authority under the State Council. (MP130)

Article 154 The Company shall prepare financial reports at the end of every accounting year (commencing from 1 January to 31 December of the calendar year), to be audited and verified in accordance with the laws. (MP131)

Article 155 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. Such financial report shall be audited. (MP132)

Article 156 The Company's financial statements shall be made available at the Company twenty (20) days before the date of every annual general meeting for shareholders' inspection. Each shareholder shall be entitled to obtain a copy of the financial statements referred to in this chapter. (MP133)

The Company shall, at least twenty-one (21) days before its annual general meeting and within 4 months (and in any event not more than 4 months) after the conclusion of the relevant financial year, send the aforesaid reports or financial highlights to every holder of H shares by prepaid mail at the address as shown in the register of shareholders. The aforesaid reports can also be issued according to the requirements of article 196 of this Articles of Association subject to the law and regulations of the place of incorporation and place of listing of the Company and the Listing Rules and need not be mailed in the above manner. (LR App3, para5, LR13.46(2), LR2.07A)

However, the Company shall comply with the Company Law and the Listing Rules and have obtained all valid consents necessary (if required) when distributing its financial highlights to the holders of H shares. Where financial highlights extracted from the Company's annual financial report and the directors' report therein are sent to each holder of H shares by means not prohibited by the Company Law, and if the form and information content of such highlights and report comply with the applicable laws, the above requirements shall be deemed to have been complied with for the purpose of such holder of H shares. However, any holder of H share can, by written request, ask the Company to send him full copies of the Company's annual financial reports and the directors' report therein in addition to the financial highlights if he finds it necessary. "Financial highlights" has the meaning given to it under the Company Ordinance (Chapter 32 of the Laws of Hong Kong).

Article 157 The Company's annual financial statements shall, besides being prepared under the PRC accounting standards and regulations, be also prepared under international accounting standards or the accounting standards of the overseas listing place. If there

are material discrepancies between the financial statements prepared under the two accounting standards, an explanation shall be made in the financial statements. When making distributions on the after tax profits for the relevant accounting year, the lesser of the after tax profits in the above two financial statements shall be adopted.

(MP134)

Article 158 Interim results or financial information published or disclosed by the Company shall be prepared in accordance with PRC accounting standards and legal regulations as well as international accounting standards or the accounting standards of the place of overseas listing. (MP135)

Article 159 The Company shall issue financial reports four times every financial year. The quarterly or interim financial reports should be issued within forty-five (45) days after the end of the third (3rd) month, sixth (6th) month and ninth (9th) month of each financial year, and the annual financial reports should be issued within three (3) months after the end of the financial year. (MP136)

Article 160 No books of account other than those provided under the law may be established by the Company. (MP137)

Article 161 The Company's common reserve fund includes common reserve fund and capital common reserve fund. The common reserve fund is divided into statutory common reserve fund and discretionary common reserve fund.

Article 162 When distributing the after tax profits of the year, the Company shall make appropriation of ten per cent (10%) of the profits to the statutory common reserve fund. When the statutory common reserve fund has aggregated to more than fifty per cent (50%) of the Company's registered capital, it may no longer make appropriation.

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

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

No dividend or other distributions by way of bonus can be made by the Company before making up the losses and appropriation to statutory common reserve fund.

The Company's shares held by the Company shall have no profit distributions.

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

Article 163 The capital reserve fund shall include the following sums of money: (MP138)

- (1) premium received in excess of the par value of the shares issued;
- (2) other revenue required to be transferred to capital reserve fund by the finance regulatory authority under the State Council.

Article 164 The common reserve fund of the Company shall be used only for the following purposes:

- (1) recovery of losses of the Company;
- (2) expansion of the production and operation of the Company; or
- (3) conversion into additional share capital.

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

Article 165 Unless a general meeting may resolve otherwise, a general meeting may authorise the board of directors to distribute interim or special dividend.

Article 166 Dividends may be distributed in the following ways: (MP139)

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

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

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

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

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

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

Article 167 Dividends and other monies paid by the Company to holders of domestic shares shall be stated and announced in RMB and paid in RMB within three (3) months after announcement of dividends; dividends and other monies paid by the Company to holders of foreign shares (not yet listed overseas) and holders of H shares shall be stated and announced in RMB and paid in foreign currency within three (3) months after announcement of dividends.

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

State.

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

Article 168 When distributing dividends to shareholders, the Company shall by reference to the distributed amount withhold and pay on behalf of the individual shareholders the tax payable on dividend income in accordance with PRC tax law.

Article 169 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 overseas listed foreign shares. (MP140)

The receiving agent appointed by the Company shall meet the relevant requirements of the laws or the stock exchange of the place of listing. The receiving agent which the Company appoints for the holders of H shares shall be a trust company registered in accordance with the Trustee Ordinance of Hong Kong.

(LR App.13, Part D para1(c))

## **Chapter 16 Appointment of Accountants Firm**

Article 170 The Company shall appoint an independent accounting firm which shall meet the relevant requirements of the State to audit the annual financial report and to review other financial reports of the Company. (MP141)

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

If the inaugural meeting fails to exercise its powers under the preceding paragraph, those powers shall be exercised by the board of directors.

Article 171 The accounting firm appointed by the Company shall hold office from the conclusion of that annual general meeting to the conclusion of the next annual general meeting. (MP142)

Article 172 The accounting firm appointed by the Company shall enjoy the following rights: (MP143)

- (1) to inspect the books and account, records or evidence of the Company at any time and has the right to require directors, general managers and deputy general managers or other senior managerial officers of the Company to provide the relevant information and explanation;
- (2) to require the Company to adopt all reasonable measures to obtain from its subsidiaries information and explanation which are requisite for such accounting firm to carry out its duties; and
- (3) to attend annual general meetings and receive notice of meeting and other information related to such meeting which any shareholder is entitled to receive and speak at any meeting of shareholders about the matters related to its being the accounting firm of the Company.

Article 173 If the office of the accounting firm becomes vacant, the board of directors shall have the right to appoint an accounting firm to fill such vacancy prior to the convening of the general meeting. However, in case there is another accounting firm in office for the Company during the continuance of the vacancy, such accounting firm may perform the duties. (MP144)

Article 174 Any accounting firm can be dismissed prior to the expiry of its term of office by ordinary resolution passed in a general meeting regardless of the provisions of the terms of the contract entered into by the accounting firm and the Company. If the relevant accounting firm is entitled to claim compensation against the Company due to the dismissal, such right shall not be affected. (MP145)

Article 175 The remuneration or the manner to determine the remuneration of the accounting firm shall be decided at the general meeting. The remuneration of the accounting firm appointed by the board of directors shall be determined by the board of directors. (MP146)

Article 176 The decisions of the Company to appoint, dismiss or not to re-appoint an accounting firm shall be made at the general meeting and shall be filed with CSRC. (MP147)

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

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

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

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

Article 177 When the Company dismisses or does not re-appoint an accounting firm, it shall give advance notice to the accounting firm. The accounting firm shall have the right to present its views at the general meeting. Where the accounting firm resigns, it shall state in the general meeting as to whether or not there are irregularities in the Company. (MP148)

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

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

Within 14 days of receiving the abovementioned written notice, the Company shall send a copy of such notice to the relevant administrative authorities. If the notice includes statement referred to item 2 above, the Company shall keep a copy of such statement in the Company for shareholders' inspection. The Company shall also send a copy of such statement by mail to each shareholder who is eligible to receive the Company's financial report. The address of a recipient shall be his address recorded on the register of shareholders. Subject to the compliance with the laws and regulations of the places of incorporation and listing of the Company and the Listing Rules, the abovementioned copy of statement may be sent in the manner provided under Article 196 in lieu of sending by mail as aforesaid. (LR App13, PartD para 1(e)(iii))(LR2.07A)

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

## **Chapter 17 Insurance**

Article 178 The Company purchases various types of insurance from the designated institutions in specific way in accordance with the provisions of the relevant supervisory authorities in the PRC. The board of directors discusses and decides the insurance type, the insured amount and the period of insurance cover according to the practice of other countries of similar trades, as well as practice and laws in the PRC.

## **Chapter 18 Labour Management**

Article 179 The Company formulates its labour and personnel system appropriate to its circumstances according to the relevant provisions of the Labour Law of the People's Republic of China.

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

Article 180 A proposal for merger or division of the Company shall be proposed by the board of directors of the Company. After the same has been passed according to the procedures provided in this Articles of Association, the relevant application procedures for approval shall be completed according to law. Shareholders who object to the proposal for merger or division of the Company shall be entitled to demand that the Company or the shareholders who consent to the proposal for merger or division of the Company purchase their shares at a fair price. (MP149)

The content of the resolution on the merger or division of the Company shall be compiled as a special document for inspection by the shareholders. The document mentioned above shall be delivered by post to the shareholders of H shares. The aforesaid statement can be issued in accordance with article 196 of this Articles of Association subject to in compliance with the laws and regulations of the place of registration and listing, and the Listing Rules. It can be issued out other than by mail as mentioned above. (LR2.07A)

Article 181 The merger of the Company may take the two forms of merger by absorption and merger by formation of a new corporation. (MP150)

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

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

Article 182 In the event of a division of the Company, its assets shall be divided accordingly. (MP151)

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

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

Article 183 In the event of a merger or division of the Company, alterations in the registered matters of the Company shall be registered at the company registration authorities in accordance with law; in the event of a dissolution of the Company, the cancellation of registration shall be made in accordance with law; in the event of the setting up of a new company, the registration of incorporation thereof shall be made in accordance with law. (MP152)

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

Article 184 The Company shall dissolve and proceed with liquidation in accordance with law upon occurrence of any one of the following events: (MP153)

- (1) the expiry of the term of business operation;
- (2) the general meeting resolves to dissolve the Company;

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

Article 185            In the event that the Company is dissolved under the provisions of paragraph (1) and (2) of the preceding article, it shall set up within fifteen (15) days a liquidation committee, the members of which shall be determined by way of ordinary resolution passed in general meeting. (MP154)

In the event that the Company is dissolved under the provisions of paragraph (4) of the preceding article, the People’s Court shall form a liquidation committee comprised of the shareholders, personnel from the relevant authorities and relevant professionals in accordance with law to proceed with the liquidation.

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

Article 186            In the event that the board of directors decides to liquidate the Company (except for liquidation as a result of the pronouncement of insolvency by the Company), it shall specify in the notice convening the general meeting for such purpose that the board of directors has made a full inquiry of the affairs of the Company and considers that the Company may settle all the Company’s debts within twelve (12) months upon commencement of liquidation. (MP155)

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

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

Article 187            The liquidation committee shall notify the creditor within ten (10) days of its establishment and make announcements at least three (3) times in newspaper within sixty (60) days of its establishment. The liquidation committee shall register the creditor’s right. (MP156)(LP App3, para7 (1))

Article 188            The liquidation committee shall during the liquidation process perform the following functions and powers: (MP157)

- (1) to dispose of the properties of the Company, to prepare a balance sheet and list of assets respectively;
- (2) to give notice or make announcement to creditors;
- (3) to deal with and liquidate the uncompleted business of the Company related to the liquidation;
- (4) to effect payment of all taxes due;

- (5) to sort out the Company's right to and liability for debts;
- (6) to deal with the remaining assets after settlement of debts by the Company; and
- (7) to represent the Company to participate in civil proceedings.

Article 189 After disposal of the assets of the Company and the preparation of the balance sheet and a list of assets has been completed, the liquidation committee shall draw up a liquidation programme for submission to the general meeting or the relevant supervisory authorities for their confirmation. (MP158)

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

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

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

Article 190 If the liquidation committee discovers that, in the case of a liquidation of the Company due to dissolution and after the disposal of the assets of the Company and preparation of the balance sheet and list of assets, the assets of the Company are insufficient to settle the debts, it shall forthwith make an application to the People's Court for a declaration of insolvency. (MP159)

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

Article 191 Upon the completion of the liquidation of the Company, the liquidation committee shall prepare a liquidation report and statement of income and expenditure and the financial accounts for the liquidation which, upon being certified by an accountant registered in China, shall be submitted to the general meeting or relevant supervisory authorities for confirmation. (MP160)

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

## **Chapter 21 Procedures for Amendments to the Articles of Association**

Article 192 The Company may amend the Articles of Association pursuant to the laws, administrative regulations and the provisions of this Articles of Association. (MP161)

Article 193 The procedures for amending these Article of Association shall be as follows:

- (1) after passing resolutions pursuant to this Articles of Association, the board of directors shall propose to the general meeting to amend this Articles of Association and draw up the amendment proposal;
- (2) notify the shareholders of the amendment proposal and convene the general

meeting for a vote;

- (3) the amendments submitted to the general meeting for a vote shall be passed by special resolutions.

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

Article 194 The amendments to the Articles of Association which involve the contents of the Mandatory Provisions shall become effective upon the approval by the companies examining and approving authorities authorised by the State Council and the CSRC; if the amendments involve company registration matters, application for alteration of the registration shall be made to the companies registration and management organisation in accordance with law. (MP162)

## **Chapter 22 Settlement of Disputes**

Article 195 The Company shall comply with the following rules of dispute resolution: (MP163)

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

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

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

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

If the applicant chooses the Hong Kong International Arbitration Centre to proceed with the arbitration, either party may request to proceed with the same in Shenzhen

in accordance with the provisions of the securities arbitration rules of Hong Kong International Arbitration Centre.

(3) The laws of the People's Republic of China shall be applicable to the settlement of the disputes and claims for rights mentioned in paragraph (1) of this Article by way of arbitration unless the laws and administrative regulations provide otherwise.

(4) The ruling given by the arbitration institution shall be final and binding on the parties involved.

## Chapter 23 Notice

### Article 196

The Company shall give notice sufficient to enable members, whose registered addresses are in Hong Kong, to exercise their rights or comply with the terms of the notice. (LR App3, para7(2))

All notices, documents and written statement issued by the Company to the shareholders of H shares shall be delivered by hand or by mail to the registered address of each shareholder (including addresses outside Hong Kong) or shall be sent to shareholders of H shares in the manner described below. (LR App.3, para7(3))

Subject to the compliance with the laws and regulations of the places of incorporation and listing of the Company and the Listing Rules, corporate communication of the Company shall be delivered:

- (1) by hand;
- (2) by mail;
- (3) by facsimile or by electronic mail;
- (4) so long as the relevant laws, rules and regulations and the requirements of the securities regulatory body in where the Company is listed are complied with, to announce via a website designated by the stock exchange in where the Company and/or the securities of the Company are listed;
- (5) to publish in newspaper and/or to announce in other recognised media channel;
- (6) all other means recognised by the regulatory body or any stock exchange in where Company is listed.

“Corporate communication” means any document issued or to be issued by the Company for the information or action of any holders of the Company's securities, including but not limited to:

- (1) annual report, the directors' report and its annual accounts together with a copy of the auditor's report thereon and, where applicable, its summary financial report;
- (2) the half-year report and, where applicable, its summary half-year report;
- (3) the quarterly report;
- (4) a notice of meeting;
- (5) a listing document;
- (6) a circular;
- (7) a proxy form; and
- (8) all other notices, correspondences, announcements and written materials.

If the corporate communication is sent by means of the Company's own website, it shall be deemed to be served on: (1) the date on which a notification, stating that the relevant corporate communication has been available on the Company's own website, is sent to holders of the Company's securities pursuant to the requirements of the laws and regulations of the places of incorporation and listing of the Company and the Listing Rules; or (2) if later, the date on which the corporate communication first appears on the Company's own website.”

Any provision in this Articles of Association in relation to the publication of announcement in the newspapers, those newspapers shall be the newspapers designated or required by the applicable State laws, rules and regulations. If the announcement is required by this Articles of Association to be issued to the foreign shareholders (where the Company is listed offshore), such announcement shall be issued in the manner in compliance with this Articles of Association, the Listing Rules and the applicable rules and regulations

The notice sent by the Company to promoter shareholders (including both domestic and foreign shareholders, not including shareholders of H shares), must be published in one or more newspapers designated by the State securities regulating bodies. Once it is published, all promoter shareholders (including both domestic and foreign shareholders, not including shareholders of H shares) shall be deemed as receipt of such notice.

Unless otherwise stipulated in this Articles of Association, an “announcement” to be delivered to the promoter shareholders (including both domestic and foreign shareholders, not including shareholders of H shares) or to be published within the territory of PRC in compliance to applicable regulations and this Articles of Association means the publication of an announcement in the newspapers in PRC designated or recommended by the local laws, regulations or the relevant securities regulating bodies. An “announcement” to be issued to shareholders of H shares or to be issued at the places of the stock exchange where the securities of the Company are listed offshore means an announcement which is issued in the manner in compliance with the Articles of Association, the Listing Rules and the applicable rules and regulations. (LR App3, para7(1))

Article 197 The notice sent by post shall have address clearly stated, postage prepaid and placed inside the envelope. Such notice shall deem be received by shareholders five (5) days after its posting.

Article 198 Any notices, documents, information or written statements served on the Company by shareholders or the directors shall be delivered to the legal address of the Company by personal delivery or by registered post.

Article 199 In proving service of notices, documents, information or written statements by the shareholders or directors to the Company, they shall provide evidence that the relevant notice, document, information or written statement has been served within the time of service specified by the usual methods, and the same has been served by delivering to the correct address by way of prepaid post.

## Chapter 24 Appendices

Article 200 "Above", "within", "below" and "expiry" as stated in the Articles of Association contain the number referred to; "exclude" and "not more than" do not contain the number referred to.

Article 201 In this Articles of Association, “accounting firm” shall have the same meaning as “auditor”.

Article 202 All issues subject to the approval from approval authorities in the Articles of Association shall be effective after the approval by the approval authorities.