

# **Tong Ren Tang Technologies Co. Ltd.**

## **The 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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## CHAPTER 1 GENERAL PROVISIONS

Article 1 The Company was established as a joint stock limited company pursuant to the “Company Law of the People’s Republic of China (“Company Law”), the “Special Regulations of the State Council on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies” (the “Special Regulations”) and other related laws and administrative regulations of the PRC.

The Company was established by Beijing Tong Ren Tang Co., Ltd. (北京同仁堂股份有限公司) as the primary promoter.

Article 2 Registered full name of the Company in Chinese: 北京同仁堂科技發展股份有限公司.

Full name in English: TONG REN TANG TECHNOLOGIES CO. LTD.

Article 3 Domicile of the Company: No. 16 Tongji Beilu, Beijing Economic and Technology Development Zone, Beijing, the People’s Republic of China.

Postal code: 100076

Article 4 The chairman of the Company shall be the legal representative of the Company.

Article 5 The Company is a joint stock limited company with perpetual succession.

Article 6 The Articles of Association were considered and approved by way of special resolution at a general meeting and became effective from the date on which the Company listed on the Main Board of the Hong Kong Stock Exchange.

From the effective date onwards, the Articles of Association shall constitute a legally binding document governing the organization and activities of the Company, and the rights and obligations between the Company and its shareholders, and among the shareholders.

Article 7 The Articles of Association shall be binding on the Company and its shareholders, directors, supervisors, manager and other senior management. All the persons mentioned above may, pursuant to the Articles of Association, put forward claims concerning the affairs of the Company.

In accordance with the Articles of Association, the shareholders may take legal actions against the Company; the Company may take legal actions against the shareholders; the shareholders may take legal actions against other shareholders; and the shareholders may take legal actions against the directors, supervisors, manager and other senior management of the Company.

The term “legal actions” as mentioned in the preceding paragraph include lawsuits brought to courts or claims referred to arbitration.

Article 8 The Company may invest in other companies with limited liability and joint stock limited companies, to which the Company shall be liable to the extent of the amount of capital contribution.

Upon the approval from examination and approval departments authorized by the

State Council, the Company may operate as a holding company in accordance with Section 12(2) of the Company Law in line with its operational and management needs.

## **CHAPTER 2 OBJECTIVES AND BUSINESS SCOPE**

Article 9 The business objectives of the Company are: to uphold the operation strategy of leveraging on the innovative technology, focusing on the quality of services and setting the economic benefits as the goal; to proactively develop new types of Chinese medicine, to explore new markets and gradually strengthen the sales network system; to improve the management of the Company pursuant to the international practice and standards and expedite the centralized group management and export-oriented development of the Company to establish itself as an integrated Chinese medicine and biological pharmaceutical group engaged in businesses of “technology, production, services and trading”.

Article 10 The business scope of the Company shall be consistent with and subject to that as approved by the company registration authorities.

The business scope of the Company covers development of medical technology, technology consultancy and services; manufacturing and sale of Chinese medicine, biological preparations, Chinese herbs, pharmaceutical chemicals reagents, antibiotics, biochemical drugs, medical devices, food, healthcare food and commodity ; e-commerce; export of self-produced products and related technology; manufacturing and import and export of raw and auxiliary materials, machinery and equipment and technology required by production; property lease business; general transportation of goods; business of joint venture, production cooperation, product processing with supplied materials and compensation trade; import and export of other commodities approved by the Ministry of Foreign Trade and Economic Cooperation (save for the projects without specific license); operating and acting as an agent in the import and export business of various commodities and technology (excluding the commodities and technology, the operation of which is restricted or the import or export of which is prohibited (merchandise catalog for import and export is not enclosed)) by the State; product processing with imported materials and “three categories of processing and one category of compensation businesses”; re-export and counter trade.

Article 11 In light of the domestic and international market conditions, the development needs of the domestic and overseas business, and the growth capability, the Company may adjust its investment policies and change its scope and mode of business, subject to resolution passed at the general meeting and approval from competent regulatory authorities.

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

Article 12 The Company shall provide for ordinary shares at all times. It may, according to its requirements, create other classes of shares upon approval of the examination and approval departments of the Company authorized by the State Council.

Article 13 The shares issued by the Company shall have a par value of RMB1 per share.

Article 14 The Company may issue shares to domestic and foreign investors upon the approval of the securities regulatory authorities under the State Council.

“Foreign investors” mentioned in the above paragraph refer to investors from foreign countries and the regions including Hong Kong, Macau and Taiwan who subscribe for the shares issued by the Company, and “domestic investors” refer to investors within the People’s Republic of China, excluding those from the aforementioned regions, who subscribe for the shares issued by the Company.

Article 15 Shares issued by the Company to domestic investors for subscription in Renminbi shall be referred to as domestic shares. Shares issued by the Company to foreign investors for subscription in foreign currency shall be referred to as foreign shares. Foreign shares which are listed outside the PRC shall be referred to as overseas listed foreign shares.

Article 16 Upon approval of the examination and approval department of the Company, the Company issued 110,000,000 shares to the Promoter upon its incorporation, representing 100% of the total number of issued ordinary shares of the Company during its incorporation.

Article 17 72,800,000 ordinary shares were issued by the Company after its establishment, all of which are foreign shares listed on The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”), representing 39.82% of the then total share capital of the Company.

In May 2007, the Company issued 13,200,000 ordinary shares as foreign shares, meanwhile, China Beijing Tong Ren Tang Group Co., Ltd., the holder of the state-owned shares of the Company, reduced its shareholding and converted 1,320,000 domestic shares into foreign shares. Therefore all the aforesaid foreign shares, being 14,520,000 shares in total, are foreign shares listed on the Hong Kong Stock Exchange.

In May 2011, the Company issued shares in the form of bonus shares to all shareholders on the basis of 1 bonus share for each share held out of its retained earnings, and also issued 1 bonus share for each share held by way of capitalization of its capital reserve. The total issued bonus shares as domestic shares and foreign shares were 217,360,000 shares and 174,640,000 shares, respectively.

In September 2013, the Company issued 52,392,000 foreign shares.

The total share capital of the Company is 640,392,000 shares, of which 326,040,000 shares are domestic shares while 314,352,000 shares are overseas listed foreign shares.

Article 18 Upon approval of China Securities Regulatory Commission of the Company’s proposal for the issuance of overseas listed foreign shares and domestic shares upon its incorporation, the Board of the Company may make implementation arrangements in relation to separate issuance.

The Company's proposal for separate issuance of overseas listed foreign shares and domestic shares pursuant to the aforesaid paragraph may be implemented separately within 15 months from the date of approval by China Securities Regulatory Commission.

Article 19 Where the Company issues overseas listed foreign shares and domestic shares respectively within the total number of shares as stated in the issuance proposal, the respective shares shall be subscribed for in full at one time. If they cannot be subscribed for in full at one time under special circumstances, these shares may be issued in several issues subject to the approval of China Securities Regulatory Commission.

Article 20 The registered capital of the Company is RMB640,392,000.

Article 21 The Company may, based on its requirements for operation and development and in accordance with the relevant provisions of the Articles of Association, approve an increase of capital.

The Company may increase its capital in the following manners:

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

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

Article 22 (1) Unless otherwise provided by laws and administrative regulations, fully-paid shares of the Company are freely transferable and are not subject to restrictions of any lien.

(2) Under the circumstances in compliance with the Articles of Association, a shareholder shall transfer his shares, whether in whole or in part, in a common or ordinary format or any other transfer format that is considered acceptable to the Board of the Directors and shall be effective only upon the signature by hand. The adoption of the standard form of transfer specified by the Hong Kong Stock Exchange is not in compliance with the Articles of Association.

(3) No shares shall transfer to minors or persons who are mentally deficient or legally disqualified.

(4) The Board may refuse to recognize any instrument of transfer, except:

- (a) such transfer fee determined by the Hong Kong Stock Exchange or such lower amount as the Board of the Company may require in other time has been paid and such fees shall not be more than the maximum amount as set out in the Listing Rules of the Main Board (the "Listing Rules") by the Hong Kong Stock Exchange from time to time.

- (b) the instrument of transfer involves only the overseas listed foreign shares;
- (c) the instrument of transfer has been chopped with the appropriate stamp; and
- (d) if the H shares of the Company are to be transferred to joint holders, the number of such joint holders shall not exceed four.

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

Article 23 Pursuant to the provisions of the Articles of Association, the Company may reduce its registered capital.

Article 24 The Company is required to prepare a balance sheet and an inventory of assets when it reduces its registered capital. The Company shall notify its creditors within ten days from the date of the Company's resolution on reduction of registered capital and shall publish at least three announcements in the newspaper within thirty days. A creditor has the right, within thirty days of receiving the notice from the Company or, in case the creditor has not received the notice, within ninety days from the date of the first announcement, to require the Company to repay its debt or provide a corresponding guarantee for such debt.

The registered capital of the Company following the reduction of capital shall not fall below the minimum statutory requirement.

Article 25 The Company may, in accordance with the procedures set out in the Articles of Association and with the approval of the relevant governing authority of the State, repurchase its outstanding shares under the following circumstances:

- (1) cancellation of shares for the purposes of reducing its capital;
- (2) merging with another company that holds shares of the Company;
- (3) other circumstances as permitted by laws and administrative regulations.

Article 26 The Company may, with the approval of the relevant governing authority of the State for repurchasing its shares, conduct the repurchase in one of the following manners:

- (1) to make an offer of repurchase to all of its shareholders at the same proportion;
- (2) to repurchase shares through public trading on a stock exchange;
- (3) to repurchase through an off-market agreement.

Where the Company has the right to repurchase redeemable shares:

- (i) in case of a repurchase other than through the market or by tender, it shall not exceed a maximum price; and
- (ii) in case of a repurchase by tender, tenders shall be made available to all shareholders alike.

Article 27 Where the Company repurchases its shares through an off-market agreement, it shall seek prior approval at general meeting in accordance with the Articles of

Association. The Company may release or amend a contract so entered into by the Company or waive its rights thereunder with prior approval at general meeting obtained in the same manner.

The contract to repurchase shares as referred to in the above paragraph includes, but not limited to, an agreement to become obliged to repurchase or to acquire the right to repurchase shares.

The Company shall not assign a contract for repurchasing its shares or any of its right thereunder.

Article 28 Shares repurchased in accordance with the laws by the Company shall be cancelled within the period prescribed by laws and administrative regulations, and the Company shall apply to the original company registration authority for registration of the change of its registered capital.

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

Article 29 Unless the Company is in the course of liquidation, it must comply with the following provisions in respect of repurchase of its outstanding shares:

- (1) where the Company repurchases its shares at par value, payment shall be made out of book balance of the distributable profits of the Company or out of proceeds of a fresh issue of shares made for that purpose;
- (2) where the Company repurchases its shares at a premium to their par value, payment up to the par value shall be made out of the book balance of distributable profits of the Company or out of the proceeds of a fresh issue of shares made for that purpose. Payment of the portion in excess of the par value shall be effected as follows:
  - (i) if the shares being repurchased were issued at par value, payment shall be made out of the book balance of the distributable profits of the Company;
  - (ii) if the shares being repurchased were issued at a premium to their par value, payment shall be made out of the book balance of the distributable profits of the Company or out of the proceeds of a fresh issue of shares made for that purpose, provided that the amount paid out of the proceeds of the fresh issue shall not exceed the aggregate of premiums received by the Company on the issue of the shares repurchased nor the current amount of the Company's capital reserve account (including the premiums on the fresh issue);
- (3) payment by the Company in consideration of the following shall be made out of the Company's distributable profits:
  - (i) acquisition of rights to repurchase shares of the Company;
  - (ii) variation of any contract for repurchasing shares of the Company;
  - (iii) release of its obligation under any contract for repurchasing its shares;



- (4) after the Company's registered capital has been reduced by the total par value of the cancelled shares in accordance with the relevant provisions, the amount deducted from the distributable profits of the Company for payment of the par value portion of the shares repurchased shall be transferred to the Company's capital reserve account.

## **CHAPTER 5 FINANCIAL ASSISTANCE FOR ACQUISITION OF THE COMPANY'S SHARES**

Article 30 The Company or its subsidiaries shall not, by any means at any time, provide any kind of financial assistance to a person who is acquiring or is proposing to acquire shares of the Company. The said acquirer of shares of the Company includes a person who directly or indirectly assumes any obligations due to the acquisition of shares of the Company.

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

This provision does not apply to the circumstances stated in Article 32.

Article 31 The financial assistance referred to in this Chapter includes, (without limitation), the following means:

- (1) gift;
- (2) guarantee (including the assumption of liability by the guarantor or the provision of assets by the guarantor to secure the performance of obligations by the obligor), or compensation (other than compensation in respect of the Company's own default) or release or waiver of any rights;
- (3) provision of loan or any other agreement under which the obligations of the Company are to be fulfilled before the obligations of another party, or a change in the parties to, or the transfer of rights arising under, such loan or agreement;
- (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.

The expression "assuming an obligation" referred to in this Chapter includes the assumption of obligations by the changing of the obligor's financial position by way of entering into of a contract or making of an arrangement (whether such contract or arrangement is enforceable or not, or is made on its own account or with any other persons), or by any other means.

Article 32 The following activities shall not be deemed to be activities as prohibited in Article 30:

- (1) the provision of financial assistance by the Company where the financial assistance is given in good faith in the interest of the Company, and the principal purpose of providing the financial assistance is not for the acquisition of shares of the Company, or the providing financial assistance is an incidental part of a master

plan of the Company;

(2) the lawful distribution of the Company's assets by way of dividend;

(3) the allotment of bonus shares as dividends;

(4) a reduction of registered capital, a repurchase of shares or a reorganization of the shareholding structure of the Company effected in accordance with the Articles of Association;

(5) the lending of money by the Company in the ordinary and usual course of business and within its business scope (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 the distributable profits of the Company);

(6) the provision of money by the Company for contributions to staff and workers' share schemes (provided that the net assets of the Company are not thereby reduced or that, to the extent that the net assets are thereby reduced, the financial assistance is provided out of the distributable profits of the Company).

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

Article 33 Share certificates of the Company shall be in registered form.

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

Article 34 The share certificates shall be signed by the Chairman. The share certificates shall also be signed by other senior management if the stock exchange on which the shares of the Company are listed requires so. All share certificates shall be affixed with the seal of the Company and such share certificates shall only take effect after being affixed with the Company's seal under the authorization of the Board. The signatures of the Chairman or other relevant senior management of the Company on the share certificates may also be in printed form.

Article 35 The Company shall maintain a register of members which shall contain the following particulars:

(1) the name, address (domicile), occupation or nature of each shareholder;

(2) the class and number of shares held by each shareholder;

(3) the amount paid-up or payable in respect of shares held by each shareholder;

(4) the serial numbers of the shares held by each shareholder;

(5) the date on which a person registers as a shareholder;

(6) the date on which a person ceases to be a shareholder.

The register of members shall be sufficient evidence of the holding of the Company's shares by a shareholder, unless there is evidence to the contrary.

Article 36 The Company may, in accordance with the mutual understanding and agreements made between China Securities Regulatory Commission and overseas securities regulatory authorities, maintain its register of members of overseas-listed foreign shares outside the PRC and appoint overseas agent(s) to manage such register. The Company shall maintain a copy of the register of members of overseas listed foreign shares at the Company's domicile; the appointed overseas agent(s) shall ensure the consistency between the original and the copy of the register of members of overseas-listed foreign shares at all times.

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

Article 37 The Company shall maintain a complete register of members.

The register of members shall include the following:

(1) the register of members maintained at the Company's domicile (other than those described in items (2) and (3) of this Article);

(2) in respect of the register of members of overseas-listed foreign shares, the original register of members of shares listed in the Hong Kong Stock Exchange shall be maintained in Hong Kong;

(3) the register of members maintained at such other place as the Board may consider necessary for the purpose of listing of the Company's shares.

Article 38 Different parts of the register of members shall not overlap one another. No transfer of the shares registered in any part of the register shall, during the existence of that registration, be registered in any other part of the register of members.

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

Article 39 Transfers may not be entered in the register of members within twenty (20) days prior to the date of a general meeting or within five (5) days before the benchmark date set by the Company for the purpose of distribution of dividends.

Article 40 When the Company intends to convene a general meeting, distribute dividends, liquidate and engage in other activities that involve determination of shareholdings, the Board shall decide on a date for the determination of rights attaching to shares in the Company. Shareholders whose names appear in the register of members at the end of such date are shareholders of the Company.

Article 41 Any person who objects to the register of members and requests to have his name entered in or removed from the register of members may apply to a court of competent jurisdiction for rectification of the register.

Article 42 Any shareholder who is registered in, or any person who requests to have his name entered in, the register of members may (if his share certificates (the "original certificates") are lost) apply to the Company for a replacement share certificate in

respect of such shares (the “relevant shares”).

If a holder of domestic shares loses his share certificates and applies for their replacement, it shall be dealt with in accordance with the provisions of Article 150 of the Company Law.

If a holder of overseas-listed foreign shares loses his share certificates and applies for their replacements, it may be dealt with in accordance with the relevant laws, the rules of the stock exchange or other relevant regulations of the place where the original register of members of overseas-listed foreign shares is maintained.

The issue of replacement share certificates to holders of foreign shares listed in Hong Kong shall comply with the following requirements:

(1) The applicant shall submit an application to the Company in prescribed form accompanied by a notarial act or statutory declaration, containing the grounds upon which the application is made and the circumstances and evidence of the loss of the share certificates as well as declaring that no other person shall be entitled to request to be registered as the shareholder in respect of the relevant shares.

(2) No statement has been received by the Company from a person other than the applicant for having his name registered as a holder of the relevant shares before the Company came to a decision to issue the replacement share certificate.

(3) The Company shall, if it decides to issue a replacement share certificate to the applicant, make an announcement of its intention to issue the replacement share certificate in such newspapers designated by the Board. The announcement shall be made at least once every thirty (30) days in a period of ninety (90) days.

(4) The Company shall have, prior to the publication of its announcement of intention to issue a replacement certificate, delivered to the stock exchange on which its shares are listed a copy of the announcement to be published. The Company may publish the announcement upon receiving a confirmation from such stock exchange that the announcement has been exhibited at the premises of the stock exchange. The announcement shall be exhibited at the premises of the stock exchange for a period of ninety (90) days.

In case an application to issue a replacement share certificate has been made without the consent of the registered holder of the relevant shares, the Company shall send by post to such registered shareholder a copy of the announcement to be published.

(5) If, upon expiration of the 90-day period referred to in items (3) and (4) of this Article, the Company has not received from any person any objection to such application, the Company may issue a replacement share certificate to the applicant according to his application.

(6) Where the Company issues a replacement share certificate under this Article, it shall forthwith cancel the original certificate and enter the cancellation and issue in the register of members accordingly.

(7) All expenses relating to the cancellation of an original share certificate and the

issue of a replacement share certificate by the Company shall be borne by the applicant. The Company may refuse to take any action until a reasonable guarantee is provided by the applicant for such expenses.

Article 43 Where the Company issues a replacement share certificate pursuant to the Articles of Association, the name of a bona fide purchaser who obtains the aforementioned new share certificate or a shareholder who thereafter registers as the owner of such shares (in the case that he is a bona fide purchaser) shall not be removed from the register of members.

Article 44 The Company shall not be liable for any damages sustained by any person by reason of the cancellation of the original certificate or the issuance of the replacement certificate, unless the claimant proves that the Company had acted fraudulently.

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

Article 45 A shareholder of the Company is a person who lawfully holds shares of the Company and whose name is entered in the register of members.

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

Article 46 The ordinary shareholders of the Company shall be entitled to the following rights:

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

(2) the right to attend or appoint a proxy to attend general meetings and to exercise the voting right;

(3) the right to supervise and manage the business activities of the Company and to put forward proposals and raise inquiries;

(4) the right to transfer shares in accordance with the laws, administrative regulations and provisions of the Articles of Association;

(5) the right to obtain relevant information in accordance with the provisions of the Articles of Association, including:

1. to obtain a copy of the Articles of Association, subject to payment of the cost of such copy;

2. to inspect and copy, subject to payment of a reasonable charge:

(i) all parts of the register of members;

(ii) personal particulars of each of the Company's Directors, supervisors, managers and other senior management, including:

(a) present name and alias and any former name and alias;

(b) principal address (domicile);

- (c) nationality;
  - (d) primary and all other part-time occupations;
  - (e) identification document and its number;
  - (iii) report on the state of the Company's share capital;
  - (iv) reports showing the aggregate par value, quantity, maximum and minimum price paid in respect of each class of shares repurchased by the Company since the end of the last accounting year and the aggregate amount incurred by the Company for this purpose;
  - (v) minutes of general meetings.
- (6) in the event of the termination or liquidation of the Company, to participate in the distribution of remaining assets of the Company in accordance with the number of shares held;
- (7) The Company may not exercise any power to freeze or otherwise infringe the rights carried by any share held by any person who enjoys interests directly or indirectly merely for the reason that he/she has not disclosed his/her interests to the Company.
- (8) other rights conferred by laws, administrative regulations and the Articles of Association.

Article 47 The ordinary shareholders of the Company shall assume the following obligations:

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

Shareholders are not obliged to make any further contribution to the share capital other than as agreed by the subscribers of the relevant shares on subscription.

Article 48 In addition to obligations imposed by laws, administrative regulations or required by the listing rules of the stock exchange(s) on which shares of the Company are listed, a controlling shareholder shall not make any decision on the following matters to jeopardize the interests of all or some of the shareholders of the Company as a result of exercising his voting rights:

- (1) to waive the obligation of a Director or supervisor to act in good faith to the best interests of the Company;
- (2) to approve the deprivation by a Director or supervisor (for his own or others' benefits), by any means, of the Company's assets, including (but not limited to) any opportunity beneficial to the Company;
- (3) to approve the deprivation by a Director or supervisor (for his own or others' benefits) of the personal rights or interests of other shareholders, including (but not limited to) rights to receive distributions and voting rights save for corporate

restructuring of the Company submitted to the general meeting for approval in accordance herewith.

Article 49 The term “controlling shareholder” mentioned in the preceding article refers to a person who satisfies any one of the following conditions:

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

## **CHAPTER 8 SHAREHOLDERS’ GENERAL MEETINGS**

Article 50 The shareholders’ general meeting is the authority of the Company and shall exercise its duties and powers in accordance with laws.

Article 51 The shareholders’ general meeting may exercise the following duties and powers:

- (1) to decide on the operation policies and investment plans of the Company;
- (2) to elect and replace Directors and decide on matters relating to the remuneration of Directors;
- (3) to elect and replace the supervisors who are representatives of shareholders and decide on matters relating to the remuneration of such supervisors;
- (4) to consider and approve reports of the Board;
- (5) to consider and approve reports of the Supervisory Committee;
- (6) to consider and approve the annual budgets and final account proposals of the Company;
- (7) to consider and approve the profit distribution plans and loss recovery plans;
- (8) to make resolutions on increase or reduction in the registered capital of the Company;
- (9) to make resolutions on matters such as merger, division, dissolution and liquidation of the Company;
- (10) to make resolutions on the issuance of bonds of the Company;
- (11) to make resolutions on the appointment, dismissal or non-reappointment of external auditors by the Company;
- (12) to amend the Articles of Association;
- (13) to consider the motions submitted by shareholders holding 5% or more of the voting shares of the Company;
- (14) other matters to be resolved by the shareholders’ general meetings as

required by laws, administrative regulations and the Articles of Association.

Article 52 Unless a prior approval is obtained at a shareholders' general meeting, the Company shall not enter into any contract with any person other than the Directors, supervisors, managers and other senior management for handing over the management of the whole or any substantial part of the Company's business to that person.

Article 53 General meetings shall include annual general meetings and extraordinary general meetings. A general meeting shall be convened by the Board. The annual general meetings shall be held once every year within six months after the end of the previous fiscal year.

The Board shall hold an extraordinary general meeting within two months upon the occurrence of any of the following circumstances:

(1) the number of Directors is below the required number as prescribed by the Company Law or less than two-thirds of the required number hereunder;

(2) the uncovered losses are in excess of one third of the total share capital of the Company;

(3) shareholders holding 10% or more of the Company's issued shares with voting rights request in writing to hold an extraordinary general meeting;

(4) the Board considers it necessary or the Supervisory Committee proposes convening such a meeting;

Article 54 To convene a general meeting, the Company shall issue a written notice of the meeting thirty days prior to the meeting informing all the registered shareholders of the matters to be considered at the meeting as well as the date and venue of the meeting. Shareholders who intend to attend the shareholders' general meeting shall, within twenty days prior to the meeting, serve a written reply on attending the meeting to the Company.

Article 55 When the Company convenes an annual general meeting, shareholder(s) holding 5% or more of the total voting shares of the Company shall have the right to propose new motions in writing, and the Company shall place proposed motions on the agenda for the meeting to the extent that such matters fall within the terms of reference of the general meetings.

Article 56 The Company shall, based on the written replies received twenty days prior to the general meeting, calculate the number of voting shares represented by the shareholders who intend to attend the meeting. In the event that the number of voting shares represented by the shareholders who intend to attend the meeting reaches more than half of the total number of the voting shares of the Company, the Company may hold the general meeting. Otherwise, the Company shall within five days notify the shareholders once again by way of announcement of the matters to be considered at the meeting as well as the date and the venue of the meeting. Once a notice is made by announcement, the Company may hold the general meeting.



An extraordinary general meeting shall not decide on any matter that is not stated in the notice of the meeting.

Article 57 A notice of the general meeting shall meet the following requirements:

- (1) it shall be given in writing;
- (2) it shall specify the venue, date and time of the meeting;
- (3) it shall state the matters to be considered at the meeting;
- (4) it shall provide shareholders with required information and explanations to enable the shareholders to make sensible decisions on the matters considered. This policy shall include (but not limited to) the provision of specific conditions and contracts (if any) for a contemplated transaction at the time when the Company proposes a merger, buyback of shares, reorganization of share capital or other restructuring, as well as reasonable explanation for the causes and consequences thereof;
- (5) in the event that any of the Directors, supervisors, manager or other senior management has material interests in the matters to be considered, the nature and extent of such interests at stake shall be disclosed. In the event that the impact of the matters to be considered on the Directors, supervisors, president and other senior management as shareholders is different from that on the other shareholders of the same class, the difference shall be explained;
- (6) it shall contain the full text of any special resolution to be proposed at the meeting;
- (7) it shall explain in clear text that a shareholder entitled to attend and vote at such meeting has the right to appoint one or more proxies to attend and vote at such meeting on his behalf. A proxy need not be a shareholder;
- (8) it shall specify the time and place for lodging proxy forms for the relevant meeting.

Article 58 The notice of general meeting, information or explanatory statement shall be served to the shareholders and delivered by any of the following means:

- (1) by personal delivery or by mail to the registered address of each of such holders of overseas foreign listed shares;
- (2) posting on the Company's website or the website designated by the stock exchange where shares of the Company are listed according to applicable laws, administrative regulations and the relevant listing rules; or
- (3) any other means acceptable to the stock exchange where shares of the Company are listed.

For domestic shareholders, the notice of general meeting may also be issued by means of announcement.

The power to cease sending dividend warrants by post shall not, if such warrants have been left uncashed, be exercised until such warrants have been so left uncashed on two consecutive occasions. Such power, however, may be exercised

after the first occasion when such warrant is returned undelivered.

The power to dispose of the shares, which the shareholders thereof could not be contacted, shall not be exercised unless the following requirements are fulfilled:

- (1) Dividends of such shares have been declared for at least three times within a 12-year period and the dividends have not been claimed by anyone during such period; and
- (2) Upon expiry of the 12-year period, the Company publishes an announcement on the newspaper, stating its intention to dispose of the shares, and notifies the stock exchange.

Article 59 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 such notice shall not invalidate the meeting and the resolutions passed at the meeting.

Article 60 Any shareholder entitled to attend and vote at the general meeting shall have the right to appoint one or several persons (who may not be shareholders) to act as his proxy to attend and vote at the meeting on his behalf. The proxy so appointed by the shareholder may, pursuant to the instructions of the shareholder, exercise the following rights:

- (1) the right which the shareholder has to speak at the general meeting;
- (2) the right to demand a poll alone or jointly with others;
- (3) the right to exercise voting rights on a show of hands or on a poll, provided that when more than one proxy is appointed, the proxies may only exercise such voting rights on a poll.

Article 61 A proxy must be appointed in writing and the appointing instrument must be signed by the shareholder or his attorney duly authorized in writing and, if the shareholder is a corporate, be affixed with the common seal or signed by its director or attorney duly authorized in writing.

Article 62 Proxy forms shall be lodged at the domicile of the Company or other places specified in the notice of meeting 24 hours before the relevant meeting for voting according to the proxy form, or 24 hours before the designated time of voting. If the proxy form is signed by a person under a power of attorney on behalf of the appointer, the power of attorney or other authorization documents authorized to be signed shall be notarized.

A notarially certified copy of that power of attorney or other authorization documents, together with the proxy form, shall be deposited at the domicile of the Company or other places specified in the notice of meeting.

Where the appointer is a legal person, its legal representative or other persons authorized by the resolutions of the Board or other decision-making organ to act as its representatives may attend the general meeting of the Company as a representative of the appointer.

Article 63 (1) Any form issued to a shareholder by the Board for use by him for appointing a

proxy shall allow the shareholder to freely instruct the proxy to vote in favour of or against each resolution relating to each matter to be considered at the relevant meeting. Such form shall contain a statement that, in the absence of instructions by the shareholder, his proxy may vote as he thinks fit.

(2) A shareholder of the Company may authorise such person as he/she may deem as fit to act as his/her proxy at any meeting of the Company or at any meeting of any class of shareholders of the Company. If more than one person is so authorised, the proxy form shall specify the class and number of shares in respect of which the authorisation is granted. The above authorised person is entitled to exercise power on behalf of the shareholder.

If the shareholder is a recognised clearing house as defined in the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), such shareholder may authorise one or more person as it may think fit to act as its proxy at any general meeting or any meeting of any class of shareholders, provided that if more than one person is so authorised, the proxy form shall specify the number and class of shares in respect of which the authorisation is granted to each such person. The persons so authorised may exercise the rights of the recognised clearing house on behalf of the recognized clearing house (or its “agent”) as if such persons were individual shareholders of the Company.

Article 64 Should the authorizing person pass away, become incapacitated, withdraw the authorization of proxies, withdraw the authorization to sign the authorization letter or the relevant shares have been transferred before voting, as long as the Company has not received written notification on the abovementioned events prior to the meeting, votes cast by their proxies according to the authorization letter remain effective.

Article 65 The resolutions of the general meeting shall be classified as ordinary resolutions and special resolutions.

Ordinary resolutions put forward in the general meeting shall be passed by one-half of the shareholders (including their proxies) with voting rights attending the meeting.

Special resolutions put forward in the general meeting shall be adopted by not less than two-thirds of the shareholders (including their proxies) with voting rights attending the meeting.

Article 66 A shareholder (including proxy) when voting at a shareholders’ general meeting may exercise voting rights in accordance with the number of shares carrying the right to vote and each share shall have one vote.

Article 67 At any general meeting, a resolution shall be decided on a show of hands unless a poll is demanded by the following persons before or after deciding on a show of hands:

(1) the chairman of the meeting;

(2) at least two shareholders entitled to vote in person or proxies with voting

rights;

- (3) one or more shareholders (including proxies) separately or jointly representing more than 10% (including 10%) of all shares carrying voting rights at the meeting.

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

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

Article 68 A poll demanded on such matters as the election of chairman or the termination of the meeting shall be taken forthwith. A poll demanded on any other matters shall be taken at such time as the chairman may decide, and the meeting may proceed to discuss other matters, while the results of the poll shall still be deemed to be a resolution of that meeting.

Article 69 On a poll taken at a meeting, a shareholder (including proxy) entitled to two or more votes need not cast all his votes for or against in the same way.

If 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.

Article 70 In the case of an equality of votes, whether it is by show of hands or a poll, the chairman of the meeting shall be entitled to an additional vote.

Article 71 The following matters shall be approved by ordinary resolutions of a shareholders' general meeting:

- (1) work reports of the board of Directors and the Supervisory Committee;
- (2) plans formulated by the board of Directors for profit distribution and making up losses;
- (3) removal of the members of the Board and the members of the Supervisory Committee, and determination of their emoluments and method of payment;
- (4) annual financial budgets, audited accounts, balance sheets and profit and loss accounts and other financial statements of the Company;
- (5) other matters unless otherwise required to be adopted as special resolutions in accordance with the applicable laws and administrative regulations or the Articles of Association.

Article 72 The following resolutions shall be adopted as special resolutions at a General Meeting:

- (1) increase or decrease of registered capital and issuance of shares of any class, warrants and other similar securities of the Company;

(2) issuance of debentures of the Company;

(3) division, merger, dissolution and liquidation of the Company;

(4) amendments to the Articles of Association;

(5) any other matters considered by the shareholders' general meeting, by way of an ordinary resolution, which have a substantial impact on the Company and require approval by a special resolution.

Article 73 The extraordinary general meeting or class meetings shall be convened by the shareholders in accordance with the following procedures:

(1) Two or more shareholders who in aggregate hold more than 10% (including 10%) of the shares with voting power at such meeting may sign one or more written request in the same format and content to the Board of Directors for the convening of the extraordinary general meeting or class meetings and clarify the agenda of such meeting. Upon the receipt of such request, the Board of Directors shall convene the extraordinary general meeting or class meetings as soon as possible. The number of shares held as mentioned above shall be based on the date of the submission of the request of the shareholders.

(2) If the Board of Directors has failed to issue the notice of meeting within 30 days of the submission of such written request, the shareholders submitting such request may convene such meeting on their own within four months after the receipt by the Board of Directors of such request, and the rules of procedures of such meeting shall be substantially the same as those of the of shareholders' general meetings convened by the Board of Directors.

The cost incurred by the shareholders as a result of the failure of the Board of Directors to convene such meeting as requested above shall be borne by the Company and deducted from the amount payable to Directors who neglect their duties.

Article 74 The General Meeting shall be convened and presided by the chairman of the Board; where the chairman of the Board is unable to attend the meeting, it shall be convened and presided by the vice chairman of the Board; where both chairman and vice chairman of the Board are unable to attend the meeting, chairman of 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.

Article 75 The chairman of the meeting shall determine whether or not a resolution of the shareholders' general meeting shall be adopted. His decision shall be final and conclusive and shall be announced at the meeting and recorded in the minutes.

Article 76 In the event that the chairman of the meeting has any doubt as to the result of a resolution put forward to the vote, he may have the votes counted. In the event that

the chairman of the meeting fails to have the votes counted, any shareholder present in person or by proxy objects to the result announced by the chairman of the meeting may demand that the votes be counted immediately after the declaration of the voting result, the chairman of the meeting shall have the votes counted immediately.

Article 77 In the event that the votes are counted at the shareholders' general meeting, the counting results shall be recorded in the minutes of the meeting.

The minutes of the meeting together with the attendance book for shareholders' signing and the proxy forms for proxies attending the meeting shall be kept at the domicile of the Company.

Article 78 Copies of the minutes of the meeting shall be available to any shareholder without charge for inspection during business hours of the Company. If a shareholder demands from the Company a copy of such minutes, the Company shall send a copy to him within 7 days after receipt of reasonable charges.

## **CHAPTER 9 SPECIAL PROCEDURES FOR VOTING BY A CLASS OF SHAREHOLDERS**

Article 79 Shareholders holding different classes of shares shall be class shareholders.

Class shareholders shall be entitled to the rights and assume obligations pursuant to the provisions of the law, administrative regulations and the Articles of Association.

Article 80 Any variation or abrogation of the rights of any class of shareholders proposed by the Company may only come into effect upon the adoption of a special resolution at a general meeting and approval by the affected shareholders of that class at a shareholders' meeting held in accordance with Articles 82 to 86 of the Articles of Association respectively.

Article 81 The following circumstances shall be deemed to be a variation or abrogation of the rights of shareholders of a certain class:

(1) to increase or decrease the number of shares of a particular class, or increase or decrease the number of shares of another class having rights on voting, distribution or other privileges equal or superior to those of the shares of such class;

(2) to effect an exchange of all or part of shares of such class into shares of other classes, or to effect an exchange or grant a right of exchange of all or part of the shares of other classes into shares of such class;

(3) to remove or reduce rights to accrued dividends or cumulative dividends attached to shares of such class;

(4) to reduce or remove the rights to a dividend preference or a liquidation preference to distribution of property attached to shares of such class;

(5) to add, remove or reduce the rights to conversion, options, voting, transfer, pre-emptive rights to placement and acquire securities of the Company attached to shares of such class;

(6) to remove or reduce rights to receive payment payable by the Company in particular currencies attached to shares of such class;

(7) to create a new class of shares having rights on voting, distribution or other privileges equal or superior to those of the shares of such class;

(8) to restrict the transfer or ownership of the shares of such class or increase such restrictions;

(9) to issue subscription rights or share conversion rights for shares of such class or other classes;

(10) to increase the rights and privileges of shares of other classes;

(11) to restructure the Company where the proposed restructuring scheme will result in different classes of shareholders bearing a disproportionate burden of obligations of such restructuring;

(12) to vary or abrogate the terms provided in this chapter.

Article 82 Shareholders of the affected share class, whether or not having the right to vote at the general meeting, shall nevertheless have the right to vote at class meetings on matters referred to in clause (2) to (8) and (11) to (12) of Article 81 of the Articles of Association, but interested shareholders shall not be entitled to vote at class meetings.

The interested shareholders mentioned in the preceding paragraph shall have the following meanings:

(1) in the case of a repurchase of its own shares by the Company by making offers to all shareholders on a same pro rata basis or through public dealing on a stock exchange in accordance with Article 26 of the Articles of Association, “interested shareholder” shall refer to the controlling shareholders as defined in Article 49 of the Articles of Association;

(2) in the case of a repurchase of its own shares by the Company through an off-market agreement in accordance with the provisions of Article 26 of the Articles of Association, “interested shareholders” shall refer to the shareholders to which the proposed agreement relates;

(3) in the case of a restructuring of the Company, “interested shareholder” shall refer to a shareholder within a class who bears liabilities less than the proportion burden imposed on other shareholders of that class or who has interests different from those held by shareholders of the same class.

Article 83 A resolution of the class meeting shall be passed in accordance with Article 82 of the Articles of Association by shareholders present in the meeting representing not less than two-thirds of voting rights.

Article 84 Written notice of a class meeting convened by the Company shall be dispatched thirty (30) days prior to the date of the class meeting to all shareholders of such class whose names appear on the register of members, specifying the matters to be considered and the date and place of the meeting. Shareholders who intend to

attend the meeting shall serve on the Company written replies of their intention twenty (20) days prior to the date of the meeting.

If the number of voting shares at such meeting held by shareholders who intend to attend such meeting reaches not less than one-half of the total number of voting shares at such meeting, the Company may hold such class meeting; if this cannot be attained, the Company shall further notify the shareholders by way of announcement within five (5) days thereof specifying the matters to be considered and the date and place of the meeting. After such announcement has been given, the Company may then hold the class meeting.

Article 85 Notices of the class meeting only need to be served on shareholders entitled to vote thereat.

The procedures for holding the class meeting shall be similar to those for holding the general meeting as far as possible, and the provisions in the Articles of Association relating to the procedures for a general meeting shall apply to the class meeting.

Article 86 Save for shareholders of shares of other classes, the holders of promoters' shares and holders of overseas-listed foreign shares are deemed to be different classes of shareholders.

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 overseas-listed foreign shares once every twelve (12) months, either separately or concurrently, and the respective numbers of domestic shares and overseas-listed foreign shares proposed to be issued do not exceed 20% of the respective numbers of the issued domestic shares and overseas-listed foreign shares;

(2) where the Company's plan to issue domestic shares and overseas listed foreign shares at the time of incorporation is carried out within fifteen (15) months from the date of approval by China Securities Regulatory Commission.

## **CHAPTER 10 BOARD OF DIRECTORS**

Article 87 (1) The Company sets a Board, which shall comprise seven (7) to eleven (11) Directors, including one Chairman and two Vice Chairman.

(2) Subject to the provisions of laws and without prejudice to any claim made under any contract, the Company is entitled to remove a Director (including managing Director or other executive Directors) by a special resolution at a general meeting before expiration of his/her term of office.

(3) A notice of the intention to propose a candidate for election as a Director and a notice by that candidate stating his willingness to be elected shall be served on the Company at least seven (7) days before the date of the general meeting.

(4) The timeframe for the delivery of the notices as stated in sub-clause (3) shall



commence from the date when a notice of meeting in respect of such election is despatched and end no later than seven (7) days prior to the date of such meeting.

Article 88 Directors shall be elected at general meetings. The term of office of the Directors shall be three (3) years. Upon maturity of the current term of office, a Director shall be eligible to offer himself/herself for re-election and reappointment. Any person appointed by the Board to fill a casual vacancy on or as an addition to the Board shall hold office only until the next following annual general meeting of the Company, and shall then be eligible for re-election and re-appointment.

The Chairman and Vice Chairman of the Board shall be elected and removed by more than one-half of all Directors. The term of office of the Chairman and Vice Chairman shall be three (3) years, renewable upon re-election.

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

At the re-election of the Board of Directors, external directors shall account for more than half (1/2) of the numbers of the Board of Directors, and there shall be at least three independent Directors, at least one of whom shall have the professional qualification prescribed under the Listing Rules, or have the requisite expertise in accounting or related financial management. Opinions of the independent Directors shall be clearly stated in the resolutions of the Board.

Article 89 The Board shall report to the shareholders' general meeting and exercises the following powers:

- (1) to convene general meetings and report its work to the general meeting;
- (2) to implement the resolutions of general meetings;
- (3) to decide on the Company's business plans and investment plans;
- (4) to formulate the Company's plans on annual financial budgets and final accounts;
- (5) to formulate the Company's profit distribution plans and plans on making up losses;
- (6) to formulate the proposals for increase or decrease of the registered capital of the Company and issue of bonds of the Company;
- (7) to formulate plans for merger, division and dissolution of the Company;
- (8) to determine the establishment of the Company's internal management structure;
- (9) to appoint or remove the manager of the Company and to appoint or remove the deputy manager and financial officer of the Company based on the nomination by the manager and to decide on their remunerations;
- (10) to formulate the basic management system of the Company;
- (11) to formulate proposals for amendment to the Articles of Association;
- (12) to determine the establishment of specific committees and to appoint and remove the relevant persons in charge.

Except for the Board resolutions in respect of the matters specified in subparagraphs (6), (7) and (11) of this Article which shall be passed by not less than two-thirds of the Directors, the Board resolutions in respect of all other matters may be passed by the affirmative vote of a simple majority of the Directors.

Article 90 In cases where the expected value of fixed assets proposed for disposal by the Board, when aggregated with value of fixed assets disposed within four (4) months before the proposed disposal, exceeds 33% of the fixed assets value set out in the latest balance sheet considered by the general meetings, the Board shall not dispose or consent to dispose such fixed assets without prior approval by the general meeting.

The term “fixed assets disposal” referred to in this Article represents (among other things) transferring certain interests in assets, but not including provision of guarantees by way of fixed assets.

The validity of transactions regarding fixed assets disposal by the Company shall not be affected due to a breach of the first paragraph of this Article.

Article 91 The Chairman of the Board is entitled to the following powers:

- (1) to preside over general meetings and to convene and preside over Board meetings;
- (2) to check on the implementation of resolutions of the Board;
- (3) to sign the securities certificates issued by the Company;
- (4) to exercise other powers conferred by the Board.

If the Chairman is unable to perform his/her duties, the Vice Chairman designated by the Chairman shall perform the duties on his/her behalf;

Article 92 Meetings of the Board shall be held at least twice every year and shall be convened by the Chairman of the Board. All of the Directors and supervisors shall be notified about the meeting ten (10) days beforehand. In case of emergency, an extraordinary Board meeting may be held if it is so requested by three (3) or more Directors or the manager of the Company.

Article 93 1. Where the time and venue for regular Board meetings or extraordinary Board meetings have been predetermined by the Board, no notice of the meeting shall be required;

2. If the time and venue for regular Board meetings or extraordinary Board meetings have not been predetermined by the Board, the Chairman of the Board shall notify the Directors of the time and venue for Board meetings by way of telephone, cable, facsimile, express mail, registered post or courier at least ten (10) days in advance.

Article 94 The Board meeting may not be held unless not less than half of the Directors are present.

Each Director shall have a ballot for voting. Resolutions of the Board shall be

passed by more than half of all Directors.

In the case of equal division of votes, the Chairman of the Board of Directors is entitled to a casting vote.

The meeting of the Board or any of its committees may be held by way of facsimile, telephone, telephone conference or other electronic means of communication, provided that all participants of such meetings shall be able to communicate with each other via voice in a timely manner. All Directors participating in meetings by means stated herein shall be deemed to be present in person at the meeting.

Article 95 Directors shall attend Board meetings in person. Where a Director is unable to attend a meeting for any reason, he/she may by a written power of attorney appoint another Director to attend the meeting on his/her behalf. The power of attorney shall specify the extent of authorization.

A Director appointed as the representative of another Director to attend the meeting shall exercise the rights of a Director within the scope of authority conferred by the appointing Director. Where a Director is unable to attend a Board meeting and has not appointed a proxy to attend the meeting on his behalf, he/she shall be deemed to have waived his right to vote at the meeting.

Article 96 The Board shall keep minutes of resolutions passed at Board meetings. The minutes shall be signed by the Directors present at the meeting and the person who recorded the minutes. The Directors shall be liable for the resolutions of the Board. If a resolution of the Board violates the laws, administrative regulations or the Articles of Association and the Company suffers serious losses as a result thereof, the Directors who participated in the passing of such resolution are liable to compensate the Company. However, if it can be proven that a Director expressly objected to the resolution when the resolution was voted on, and that such objection was recorded in the minutes of the meeting, such Director may be released from such liability.

## **CHAPTER 11 SECRETARY TO THE BOARD OF THE COMPANY**

Article 97 The Company shall have a Secretary to the Board, who is a senior management member of the Company.

Article 98 Secretary to the Board of the Company shall be a natural person with the requisite professional knowledge and experience, and shall be appointed by the Board. His/her primary responsibilities are:

(1) to ensure that the Company has complete organisational documents and records;

(2) to ensure that the Company prepares and delivers the reports and documents required by competent authorities in accordance with the laws;

(3) to ensure that the Company's registers of members are properly maintained, and that persons entitled to access to the relevant records and documents are

furnished with such records and documents without delay.

Article 99 Director or other senior management members may concurrently hold the post of the secretary to the Board. The accountant(s) of the certified public accountants' firm appointed by the Company shall not concurrently hold the post of the secretary to the Board.

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

## **CHAPTER 12 MANAGER OF THE COMPANY**

Article 100 The Company shall have one manager, who shall be appointed and dismissed by the Board.

Article 101 The manager of the Company shall be accountable to the Board and exercise the following powers:

(1) to lead the Company's production, operation and management, organize resources to carry out the Board's resolutions;

(2) to organize the implementation of the Company's annual business plan and investment plan;

(3) to draft plans for the establishment of the Company's internal management structure;

(4) to draft the Company's basic management system;

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

(6) to propose the appointment or dismissal of the Company's deputy manager(s) and chief financial officer;

(7) to appoint or dismiss management personnel other than those required to be appointed or dismissed by the Board;

(8) to exercise other powers conferred by the Articles of Association and the Board.

Article 102 The manager of the Company shall attend Board meetings. The manager who is not a Director does not have any voting rights at Board meetings.

Article 103 The manager of the Company, in performing his/her functions, shall act honestly and diligently and in accordance with the laws, administrative regulations and the Articles of Association.

## **CHAPTER 13 SUPERVISORY COMMITTEE**

Article 104 The Company shall have a supervisory committee.

Article 105 (1) The Supervisory Committee shall be composed of three to five Supervisors. One of the members of the Supervisory Committee shall act as the chairman of the Committee. The term of office of a Supervisor shall be three years,

renewable upon re-election and re-appointment.

Upon re-election of the Supervisory Committee, the number of external supervisors shall account for more than one half of the total number of supervisors

(2) The appointment and dismissal of the chairman of the Supervisory Committee shall be passed by not less than two-thirds (inclusive) of its members.

Article 106 The Supervisory Committee shall comprise two representatives of shareholders and one representative of the Company's staff and workers. The representatives of shareholders shall be elected and dismissed by the general meeting. The Representatives of the Company's staff and workers shall be democratically elected and dismissed by the Company's staff.

Article 107 The Directors, manager and chief financial officers of the Company shall not assume the position of supervisors

Article 108 Meetings of the Supervisory Committee shall be held at least twice a year and convened by the Chairman of the Supervisory Committee.

Article 109 The Supervisory Committee shall be accountable to the general meeting and exercise the following powers in accordance with the laws:

(1) to examine the Company's financial affairs;

(2) to supervise Directors, manager and other senior management members on the violation of laws, administrative regulations or the Articles of Association in performing their duties to the Company;

(3) to demand rectification from a Director, manager and any other senior management members when the acts of such persons are harmful to the Company's interest;

(4) to examine the financial information such as the financial report, business report and plans for distribution of profits to be submitted by the Board to the general meetings and, should any queries arise, to engage, in the name of the Company, certified public accountants and practicing auditors to conduct a re-examination;

(5) to propose the convening of an extraordinary general meeting;

(6) to deal with or take legal actions against Directors on behalf of the Company;

(7) to exercise other powers specified in the Articles of Association.

(8)the supervisors shall attend Board meetings.

Article 110 Resolution at a Supervisory Committee meeting shall be approved by two-thirds (inclusive) of the supervisors by poll.

Article 111 All reasonable expenses incurred in respect of the employment of professionals such as lawyers, certified public accountants or practicing auditors as are required by the Supervisory Committee in discharging its duties shall be borne

by the Company

Article 112 A supervisor shall carry out his/her duties honestly and faithfully in accordance with the laws, administrative regulations and the Articles of Association.

## **CHAPTER 14 QUALIFICATIONS AND OBLIGATIONS OF DIRECTORS, SUPERVISORS, MANAGERS AND OTHER SENIOR MANAGEMENT OF THE COMPANY**

Article 113 A person shall be disqualified for being a director, a supervisor, a manager or other senior management members of the Company in any of the following circumstances:

(1) the individual has no capacity to undertake civil liabilities or restricted capacity to undertake civil liabilities;

(2) a period of five years has not yet elapsed since the penalisation on conviction of corruption, bribery, unauthorised taking of property, misappropriation of property or disrupting social and economic order; or a period of five years has not yet elapsed since being deprived of political rights for commission of offences;

(3) a period of three years has not yet elapsed since the completion of the liquidation of any Company or enterprise which was insolvent due to unsound business operation and management and where the person acted as a director, factory manager or manager of such Company or enterprise and was personally liable for such insolvency;

(4) a period of three years has not yet elapsed since revocation of the business license of a company or enterprise due to illegal business operations where the person was the legal representative of such company or enterprise and for which he was personally liable;

(5) the person is personally liable for a substantial loan which is due for payment but remains unpaid;

(6) the person has been involved in a criminal offence which is subject to investigation by the judicial authority, and the case remains unsettled;

(7) the person is not eligible for acting in the leadership of a Company or an enterprise according to the laws or administrative regulations;

(8) the person is not a natural person;

(9) a period of five years has not yet elapsed since the person was adjudged by the relevant regulatory authorities to be guilty of contravention of provisions of securities regulations involving fraud or dishonesty;

Article 114 The validity of an act of a director, manager and other senior management members on behalf of the Company is not, vis-a-vis a bona fide third party, affected by any irregularity in his office, election or any defect in his qualification.

Article 115 In addition to the obligations imposed by the laws, administrative regulations or required by the listing rules of the stock exchange on which Shares of the Company are listed, each director, supervisor, manager and other senior management members of the Company shall, in the exercise of the functions and powers of the Company entrusted to him/her, be obliged to bear the following duties towards each shareholder:

- (1) not to cause the Company to exceed the scope of business stipulated in its business license;
- (2) to act honestly in the best interest of the Company;
- (3) not to expropriate in any guise the Company's property, including but not limited to usurpation of opportunities advantageous to the Company;
- (4) not to expropriate the individual rights of shareholders, including but not limited to rights to distribution and voting rights, save pursuant to a restructuring of the Company submitted to shareholders for approval in accordance with the Articles of Association.

Article 116 Each director, supervisor, manager and other senior management members of the Company shall, in the exercise of his/her powers and discharge of his/her obligations, be obliged to exercise the care, diligence and capability that a prudent person would reasonably exercise in comparable circumstances.

Article 117 Each director, supervisor, manager and any other senior management members of the Company shall exercise his powers or perform his/her duties in accordance with the principle of fiduciary; and shall not put himself/herself in a position where there may be conflicts between his/her duties and his/her interests. Without limiting the generality of the foregoing, the following obligations (including but not limited to) shall be discharged:

- (1) to act honestly in the best interests of the Company;
- (2) to exercise powers within the scope of his/her powers and not to exceed those authorizations;
- (3) to exercise the discretion vested in him personally and not to allow himself to act under the control of another and, unless and to the extent permitted by the laws, administrative regulations or with the consent of informed shareholders at a general meeting, not to delegate the exercise of his discretion;
- (4) to treat shareholders of the same class equally and to treat shareholders of different classes fairly;
- (5) except otherwise stipulated by the Articles of Association or otherwise consented by informed shareholders at a general meeting, not to enter into any contract, transaction or arrangement with the Company;
- (6) without the consent of informed shareholders at a general meeting, not to use the Company's property by any means for his own benefits;
- (7) not to exploit his position to accept bribes or other illegal income or

expropriate the Company's property by any means, including but not limited to opportunities advantageous to the Company;

(8) without the consent of informed shareholders at a general meeting, not to accept commissions in connection with any of the Company's transactions;

(9) to abide by the Articles of Association, perform his official duties faithfully and protect the Company's interests, and not to exploit his position and power in the Company to advance his own private benefits;

(10) not to compete with the Company in any way unless with the consent of informed shareholders at a general meeting;

(11) not to misappropriate the Company's funds or lend such funds to others, not to open accounts in his own name or other names for the deposit of the Company's assets and not to provide a guarantee for debts of a shareholder of the Company or other individual(s) with the Company's assets;

(12) unless otherwise permitted by informed shareholders at a general meeting, to keep information acquired by him in confidentiality in the course of and during his tenure and not to use the information other than in furtherance of the interests of the Company, save and except that disclosure of such information to the court or other governmental competent authorities is permitted if:

1. disclosure is made under compulsion of the laws;
2. the interests of the public require disclosure;
3. the interests of the relevant director, supervisor manager and other senior management members require disclosure.

Article 118 Each director, supervisor, manager and any other senior management members of the Company shall not cause the following persons or institutions ("associates") to do what he is prohibited from doing:

(1) the spouse or minor children of that director, supervisor, manager and other senior management members;

(2) a person acting in the capacity of a trustee of that director, supervisor, manager and other senior management members or any person referred to in sub-clause (1) of this Article;

(3) a person acting in the capacity of partner of that director, supervisor, manager and other senior management members or any person referred to in sub-clauses (1) and (2) of this Article;

(4) a company in which that director, supervisor, manager and other senior management members, alone or jointly with one or more personnel referred to in sub-clauses (1), (2) and (3) of this Article and other directors, supervisors, manager and other senior management members having a de facto controlling interest;

(5) directors, supervisors, managers and other senior management members of the controlled entities referred to in sub-clause (4) of this Article.



Article 119 The fiduciary duties of each director, supervisor, manager and other senior management members of the Company shall not be necessarily ceased with the termination of his tenure. The duty of confidentiality in relation to trade secrets of the Company shall survive upon termination of his tenure. Other duties may continue for such period as fairness may require depending on the time lapses between the termination and the act concerned and the circumstances and conditions under which the relationships between him and the Company are terminated.

Article 120 Except as provided in Article 48 hereof, each director, supervisor, manager and any other senior management members of the Company may be relieved of liability for specific breaches of his duties by the consent of informed shareholders at a general meeting.

Article 121 Where a director, supervisor, manager and any other senior management members of the Company is in any way, directly or indirectly, materially interested in a contract, transaction or arrangement or proposed contract, transaction or arrangement with the Company (other than an employment contract of each director, supervisor, manager and any other senior management members with the Company), he shall declare the nature and extent of his interests to the Board at the earliest opportunity, whether or not the relevant issues shall be otherwise subject to approval of the Board under normal circumstance.

Unless an interested director, supervisor, general manager and other senior management members disclose his interests in accordance with this Article and the contracts, transactions or arrangements are approved by the Board at a meeting at which such interested director, supervisor, manager or other senior management members shall not be counted in the quorum and shall have abstained from voting. A contract, transaction or arrangement in which that particular director, supervisor, manager and other senior management members is materially interested is avoidable at the instance of the Company, except as against a bona fide party thereto acting without being aware of the breach of duty by the interested director, supervisor, manager or other senior management members.

Each director, supervisor, manager and other senior management members of the Company shall be deemed to be interested in a contract, transaction or arrangement in which any associate of the director, supervisor, manager and other senior management members are interested.

Subject to the exceptions specified below, a director shall not vote on any resolution approving the contract or arrangement or any other proposal in which he or any of his associates has a material interest nor shall he be counted in the quorum present at the meeting.

The exceptions shall mean:

(1)(a) the giving of any security or indemnity to the director or his associate(s) in

respect of money lent or obligations incurred or undertaken by him or his associate(s) at the request of or for the benefit of the Company or any of its subsidiaries; or

(b) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the director or his associate(s) has/have himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;

(2) any proposal concerning an offer of shares or debentures or other securities of or by any other person or company which the Company may promote or be interested in for subscription or purchase where the director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(3) any proposal concerning any other companies in which the director, or his associates, directly or indirectly, has an interest, whether as an officer or executive or shareholder, or in which the director is beneficially interested in shares of that company, provided that he, together with any of his associates, is not beneficially interested in 5 per cent or more of the issued shares of any class of such company (or of any third company through which his interest is derived) or of the voting rights;

(4) any proposal or arrangement concerning the benefit of employees of the Company or its subsidiaries including:

(a) the adoption, modification or operation of any employees' share scheme or any share incentive or share option scheme under which a director or his associate(s) may benefit; or

(b) the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme which relates both director, his associate(s) and employees of the Company or any of its subsidiaries and does not provide in respect of any director (or his associate(s)) as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

(5) any contract or arrangement in which the director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his interest in shares or debentures or other securities of the Company.

For the purpose of this Article, the definition of associate shall have the same meaning ascribed to it in the Listing Rules.

Article 122 Where a director, supervisor, manager and other senior management members of the Company gives to the Board before the Company's first consideration of formulation of any contract, transaction or arrangement, a general notice in writing stating that, by reason of the facts specified in the notice, he is interested

in such contracts, transactions or arrangements of any description which may subsequently be made by the Company, the content stated in such notice shall be deemed for the purposes of the preceding Article of this Chapter to be a sufficient disclosure of the interests of the director, supervisor, manager and other senior management members.

Article 123 The Company shall not in any manner pay taxes for or on behalf of its director, supervisor, manager and any other senior management members.

Article 124 The Company shall neither directly or indirectly make a loan to or provide any guarantee to its director, supervisor, manager and other senior management members of the Company or of its parent company, nor make a loan to or provide any loan guarantee in connection thereto to any of their respective associates.

The provisions of the preceding paragraph shall not be applicable to the following circumstances:

(1) the provision by the Company of a loan or a loan guarantee to a company which is a subsidiary of the Company;

(2) the provision by the Company of a loan or a loan guarantee or any other funds to a director, supervisor, manager and other senior management members of the Company to meet expenditures incurred or to be incurred by him for the purposes of the Company or for the purpose of enabling him to properly perform his duties, in accordance with the terms of a employment contract approved by shareholders at a general meeting;

(3) the Company may make a loan to or provide a loan guarantee to any of the relevant directors, supervisors, manager and other senior management members and their respective associates in the ordinary course of its business on normal commercial terms, provided that the ordinary course of business of the Company should include the lending of money or the giving of guarantees.

Article 125 A loan made by the Company in breach of the preceding Article shall be forthwith repayable by the recipient of the loan regardless of the terms of the loan.

Article 126 A guarantee for repayment of loan provided by the Company in breach of sub-clause 1 of Article 124 shall not be enforceable against the Company, unless:

(1) the guarantee was provided in connection with a loan to an associate of any of the directors, supervisors, managers and other senior management members of the Company or of the Company's parent company and the lender were not aware of the relevant circumstances at the time the loan was advanced; or

(2) the collateral provided by the Company has been lawfully disposed of by the lender to a bona fide purchaser.

Article 127 For the purpose of the foregoing paragraph of this Chapter, a guarantee shall include an undertaking or property provided to secure the performance of obligations by the obligor.

Article 128 In addition to any rights and remedies provided by the laws and administrative regulations, where a director, supervisor, manager and other senior management members of the Company is in breach of his duties to the Company, the Company shall have a right to:

- (1) claim damages from the director, supervisor, manager and other senior management members in compensation for losses sustained by the Company as a result of such breach;
- (2) rescind any contract or transaction entered into by the Company with the director, supervisor, manager and other senior management members or with a third party (where such third party knows or should know that there is such a breach of obligations by such a director, supervisor, manager and other senior management members);
- (3) demand an account of the profits made by the director, supervisor, manager and other senior management members in breach of his obligations;
- (4) recover any monies received by the director, supervisor, manager and other senior management members which should otherwise have been received by the Company, including but not limited to commissions; and
- (5) request such director, supervisor, manager and other senior management members to return the interests accrued or may be accrued on the monies which otherwise should have been paid to the Company.

Article 129 The Company shall, with prior approval of shareholders at a general meeting, enter into a contract in writing with a director or supervisor wherein his emoluments are stipulated. The aforesaid emoluments shall include:

- (1) the emoluments in respect of his labour as a director, supervisor or senior management members of the Company;
- (2) the emoluments in respect of his labour as director, supervisor or senior management members of any subsidiary of the Company;
- (3) the emoluments in respect of the provision of other labours in connection with the management of the affairs of the Company and any of its subsidiaries;
- (4) the payment to such a director or supervisor by way of compensation for his loss of office, or as consideration for or in connection with his retirement from office.

Except under a contract entered into in accordance with the foregoing paragraph, no proceedings may be brought by a director or supervisor against the Company for any benefits due to him in respect of the matters mentioned in this Article.

Article 130 The contract concerning the emoluments between the Company and its directors or supervisors should provide that in the event of a takeover of the Company, the Company's directors and supervisors shall, subject to prior approval of shareholders at a general meeting, have the right to receive compensation or other payment in respect of his loss of office or retirement. A takeover of the

Company referred to of the preceding paragraph means any of the following circumstances:

- (1) an offer made by any person to all the shareholders;
- (2) an offer made by any person with a view to have the offerer becoming a controlling shareholder within the same defined meaning as ascribed to it in Article 49 of the Articles of Association.

Where the relevant director or supervisor is in breach of this Article, any sum so received by him shall belong to those persons who have sold their shares as a result of the acceptance of the said offer. The expenses incurred in distributing that sum pro rata amongst those persons shall be borne by the relevant director or supervisor and shall not be deductible from that sum.

## **CHAPTER 15 FINANCIAL AND ACCOUNTING SYSTEMS AND PROFIT DISTRIBUTION**

Article 131 The Company shall establish its financial and accounting systems in accordance with the laws, administrative regulations and the PRC accounting standards formulated by the finance regulatory department of the State Council.

Article 132 At the end of each fiscal year, the Company shall prepare a financial report, which shall be reviewed and verified in accordance with laws.

Article 133 The Board shall, at each annual general meeting, submit to shareholders the financial reports prepared by the Company in accordance with the provisions for normative documents which are promulgated by the relevant laws, administrative regulations and local governments and departmental authorities.

Article 134 The Company's financial reports shall be made available for shareholders' inspection at the Company not later than 21 days before the date of each annual general meeting. Each shareholder shall be entitled to an access of a copy of the financial reports referred to in this Chapter.

The aforesaid reports shall be delivered to the overseas holders of foreign listed shares within 21 days before the aforesaid general meeting by any of the following means:

- (1) by personal delivery or by mail to the registered address of each of such overseas holders of foreign listed shares;
- (2) posting on the Company's website or the website designated by the stock exchange where the Company's shares are listed according to applicable laws, administrative regulations and the relevant listing rules; or
- (3) any other means acceptable to stock exchange where the Company's shares are listed.

Article 135 The financial statements of the Company shall, in addition to being prepared in accordance with the PRC accounting standards and regulations, be prepared in accordance with either international accounting standards, or that of the place outside the PRC where the Company's shares are listed. If there is any material

difference between the financial statements prepared respectively in accordance with the two accounting standards, such difference shall be stated in the notes to the financial statements. When the Company is to distribute its profits of the relevant fiscal year, the lower of the after-tax profits as shown in the two financial statements shall be adopted.

Article 136 Any results or financial information published or disclosed by the Company must also be prepared and presented in accordance with the PRC accounting standards and regulations, and also in accordance with either the international accounting standards or those of the overseas location where the shares of the Company are listed.

Article 137 The Company shall publish two financial reports in each fiscal year, meaning that the interim reports shall be published within 60 days after the first six months of the fiscal year and the annual reports shall be published within 120 days after the expiration of the fiscal year.

Article 138 The Company shall not keep accounts other than those provided for by the laws.

Article 139 Capital common reserve fund includes the following items:

- (1) premium on shares served at a premium price;
- (2) any other income designated for the capital common reserve fund by the regulations of the competent financial authority of the State Council.

Article 140 The Company may distribute a dividend in the following forms:

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

Article 141 The Company shall appoint on behalf of the holders of the overseas listed foreign shares receiving agents to receive on behalf of such shareholder dividends declared and all other monies owing by the Company in respect of such shares.

The receiving agents appointed by the Company shall satisfy the relevant requirements of the laws of the place and relevant regulations of the stock exchange on which the Company's shares are listed and the relevant requirements stipulated under sub-clause 2 of Article 37 hereof.

In addition to the above, the Company shall appoint on behalf of the holders of the overseas-listed foreign shares listed in the Hong Kong Stock Exchange receiving agents. Such agents shall be a Company registered as a trust Company under the Trustee Ordinance of Hong Kong.

Any paid share capital before the notice of the collection of share capital can enjoy interest. However, the shareholder is not entitled to any dividends of such pre-paid share capital.

The rights to expropriate unclaimed dividend shall not be exercised until the effective period since the announcement of dividend distribution date ends.

## **CHAPTER 16 APPOINTMENT OF ACCOUNTANT FIRM**

Article 142 The Company shall appoint an independent accountant firm which is qualified under the relevant regulations of the PRC to audit annual reports of the Company and review the other financial reports of the Company.

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

Article 143 The accountant firm appointed by the Company shall hold office from the close of the annual general meeting until the conclusion of the next annual general meeting.

Article 144 The accountant firm appointed by the Company shall have the following rights:

(1) a right to inspect the books, records and vouchers of the Company at any time, the right to require directors, managers or other senior management members of the Company to supply relevant information and explanation;

(2) a right to require the Company to take all reasonable steps to obtain from its subsidiaries such information and explanation as are necessary for the purpose of discharging its duties;

(3) a right to attend general meeting and to receive all notices of, and information relating to, any general meeting which any shareholder is entitled to receive, and to speak at any general meeting for matters in relation to its capacity as the Company's accountant firm.

Article 145 (1) If there is a vacancy in the position of the auditor of the Company, the Board may appoint an accountant firm to fill such vacancy before the convening of the general meeting. Any other accountant firm which has been engaged by the Company may continue to act during the period of existence of such vacancy

(2) Where it is proposed that any resolution be passed at a general meeting concerning the appointment of an accountant firm which is not an incumbent firm to fill a casual vacancy in the office of the accountant firm, re-appointment of a retiring accountant firm which was appointed by the Board of the Company to fill a casual vacancy, or removal of the accountant firm before the expiration of its term of office, the following provisions shall apply:

1. a copy of the proposal shall be sent before notice of meeting is given to the shareholders to the accountant firm proposed to be appointed or proposing to leave its post, or the accountant firm which has left its post in the relevant fiscal year.(Leaving from office includes leaving by removal, resignation and retirement.);

2. if the accountant firm leaving its post makes representations in writing and requests the Company to notify such representations to the shareholders, the Company shall (unless the written representations are received too late):

(i) state the fact of the representations having been made by the accountant firm leaving in any notice of the resolution given to shareholders, and

(ii) deliver a copy of the representations to each shareholder who is entitled to receive the notice of general meetings.

3. the relevant accountant firm may (in addition to its right to be heard) require that the representations be read out at the meeting if the representations of the relevant accountant firm are not sent in accordance with this sub-clause (2).

4. An accountant firm which is leaving its post shall be entitled to attend the following meetings:

(i) the general meeting at which its term of office would otherwise have expired;

(ii) any general meeting at which it is proposed to fill the vacancy caused by its removal;

(iii) any general meeting convened on its resignation.

An accountant firm which is leaving its post shall be entitled to receive all notices of, and other information relating to, any such meetings, and to speak at any such meetings in relation to matters concerning its role as the former accountant firm of the Company.

(3) An accountant firm may resign its office by depositing at the Company's legal address a resignation notice. Such notice shall include the following information:

(i) a statement to the effect that there are no circumstances connected with its resignation which it considers should be brought to the notice of the shareholders or creditors of the Company; or

(ii) a statement of any such circumstances which should be brought to notice.

Such notices shall become effective on the date of the deposit on the Company's legal address or on such later date as may be stipulated in such notices.

(4) Where a notice is deposited as mentioned in sub-clause (3) of this Article, the Company shall, within fourteen days, send a copy of the notice to the relevant competent authorities. If the notice contains a statement under sub-clause (2)(ii) of this Article, a copy of such statement shall be served to each shareholder who is entitled to receive the report regarding financial conditions of the Company.

(5) Where the accountant firm's notice of resignation contains a statement as referred to under sub-clause (2)(ii) of this Article, it may require the Board to



convene an extraordinary general meeting for the purpose of receiving an explanation of the circumstances connected with its resignation.

Article 146 Notwithstanding the stipulations in the contract between the Company and the accountant firm, shareholders at a general meeting may, by ordinary resolution, remove an accountant firm before the expiration of its term of office, but without prejudice to the right of the firm to claim, if any, for damages in respect of such removal.

Article 147 The remuneration of an accountant firm or the manner in which such firm is to be remunerated shall be determined by shareholders at a general meeting. The remuneration of an accountant firm appointed by the Board shall be determined by the Board.

Article 148 The Company's appointment, removal and non-reappointment of an accountant firm shall be resolved upon by shareholders in general meeting. The resolution of the general meeting shall be filed with the securities regulatory authorities of the State Council.

Article 149 (1) Prior to the removal or the non-renewal of the appointment of the accountant firm, notice of such removal or non-renewal shall be given in advance to the accountant firm and such firm shall be entitled to make representation at the general meeting. Where the accountant firm resigns its post, it shall make clear to the general meeting whether there has been any impropriety on the part of the Company.

(2) "Accountant firm" and "Auditor" shall have the same meanings in this Chapter.

## **CHAPTER 17 MERGER AND DIVISION OF THE COMPANY**

Article 150 In the event of any merger or division of the Company, the Board of the Company shall submit proposals to be approved in accordance with the procedures as stipulated in the Articles of Association, before going through the relevant examination and approval procedures as required by laws. Shareholders who object to the proposal of merger or division are entitled to request the Company or shareholders who agree to the proposal to purchase their shares at a fair price. Resolutions on merger or division shall be recorded as a special document for shareholders' inspection.

The aforesaid document shall also be sent by mail to holders of overseas listed foreign shares.

Article 151 The merger of the Company may take the form of either merger by absorption or merger by the establishment of a new company.

In the event of a merger, the parties to the merger shall enter into a merger agreement and prepare balance sheets and inventories of assets. The company shall notify its creditors within ten days of the date of the Company's resolution on merger and shall publish an announcement on newspapers at least three times

within thirty days of the date of the Company's resolution on merger.

After the merger, claims and liabilities of parties to the merger shall be taken over by the continuing company or the newly established company.

Article 152 When there is a division of the Company, its assets shall be divided up accordingly.

In the event of a division of the Company, the dividing parties shall enter into a division agreement and prepare balance sheets and inventories of assets. The Company shall notify its creditors within ten days of the date of the Company's division resolution and shall publish an announcement on newspaper at least three times within thirty days of the date of the Company's division resolution.

Liabilities of the Company prior to the division shall be assumed by the companies which exist after the division in accordance with the agreement entered into.

Article 153 When the merger or division of the Company involves changes in registered particulars, such changes shall be registered with the company registration authority in accordance with the law. When the Company dissolves, the Company shall cancel its registration in accordance with the law. When a new company is established, its establishment shall be registered in accordance with the law.

## **CHAPTER 18 DISSOLUTION AND LIQUIDATION OF THE COMPANY**

Article 154 In one of the following cases, the Company shall be dissolved, and undergo liquidation according to law:

- (1) the expiry of the term of operation;
- (2) the general meeting makes a resolution on dissolution;
- (3) the Company has to be dissolved on account of its merger or separation;
- (4) the Company is declared as bankrupt according to law on account of its being unable to repay due debts;
- (5) the Company has been ordered to close down for violation of the laws or administrative regulations;

Article 155 Where the Company is dissolved on account of the regulation in sub-clause (1) and (2) of the preceding Article, a clearing group shall be set up in 15 days, and its members shall be determined by the general meeting through an ordinary resolution.

Where the Company is dissolved on account of the regulation in sub-clauses (4) of the preceding Article, the people's court shall according to the relevant laws, organise the shareholders, the relevant authorities and the professionals to form a liquidation group for the liquidation work.

Where the Company is dissolved on account of the regulation in sub-clause (5)

of the preceding Article, the relevant competent department shall organise the shareholders, the relevant authorities and the professionals to form a liquidation group for carrying out the liquidation work.

Article 156 In the event that the Board makes a decision upon liquidation of the Company (save and except for a liquidation in the event of the Company being declared as bankrupt), it shall, in the notice on the general meeting to be held on this, state that the Board has made a comprehensive investigation of the Company's conditions, and hold that the Company can clear off all liabilities of the Company within 12 months from the commencement of liquidation.

Upon passing of the resolution on liquidation at the general meeting, the functions of the Board of the Company shall be immediately terminated.

The liquidation group shall follow the instructions from the general meeting, make at least one report each year to the general meeting on the income and expenditure of the liquidation group as well as Company's business and progress on the liquidation, and make the final report to the general meeting at the end of the liquidation.

Article 157 The liquidation committee shall notify all creditors within 10 days after its establishment and shall make at least 3 newspaper announcements within 60 days. The liquidation group should register claims.

Article 158 During the period of liquidation, the liquidation group shall perform the following functions and powers:

- (1) clear up the Company's property and formulate the balance sheet and list of property;
- (2) send notifications or declarations to the creditors;
- (3) dispose of and clear up pending business of the Company;
- (4) pay due taxes and taxes accrued during the course of liquidation;
- (5) clear off claims and debts;
- (6) dispose of the Company's remaining property after the repayment of the debts;
- (7) participate in civil proceedings on behalf of the Company.

Article 159 After clearing up Company's property and formulating the balance sheet and list of property, the liquidation group shall formulate the liquidation scheme and submit the same to the general meeting or the relevant competent authorities for confirmation.

The assets of the Company shall be liquidated in the following order of priority:

- (1) liquidation costs payable;
- (2) salaries and social insurance premiums payable to the employees;
- (3) outstanding taxes;
- (4) debts of the Company.

The remaining assets of the Company upon repayment as specified in the preceding paragraph shall be distributed to the shareholders as per the types of their shares and their shareholding percentages.

During the period of liquidation, the Company shall not carry out any new business activities.

Article 160 In the event of Company's liquidation owing to dissolution, where the liquidation group finds out that Company's property are not sufficient for repayment of the debts after clearing up Company's property and formulating the balance sheet and lists of property, it shall immediately apply for declaration of bankruptcy with the people's court.

After the Company is declared as bankrupt through a verdict made by the people's court, the liquidation group shall prepare and hand over the liquidation matters to the people's court.

Article 161 Upon completion of the Company's liquidation, the liquidation group shall prepare a liquidation report as well as an income/expenditure statement and financial books for the period of liquidation, which shall, after verification by certified public accountants in the PRC, be submitted at the general meeting or to the relevant competent authorities for confirmation.

The liquidation group shall submit the aforesaid documents to the Company registration authorities, apply for cancellation of the Company's registration, and announce the Company's dissolution within 30 days after confirmation at the general meeting or by the relevant competent authorities.

## **CHAPTER 19 PROCEDURES FOR AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

Article 162 The Company may, pursuant to the requirements of the laws, administrative regulations and the Articles of Association, amend the Articles of Association.

Article 163 The amendment to the Company's Articles of Association involving the Mandatory Provisions for Overseas-listed Companies' Articles of Associations shall become effective upon receipt of approvals from the companies approving department authorised by the State Council and the China Securities Regulatory Commission. If there is any change relating to the registered particulars of the Company, application shall be made for registration of the changes to the relevant commercial and industrial administrations in accordance with law.

## **CHAPTER 20 SETTLEMENT OF DISPUTES**

Article 164 (1) Whenever any disputes or claims arise between holders of the overseas-listed foreign-invested shares and the Company, holders of the overseas-listed foreign-invested shares and the Company's Directors, supervisors, managers, or other senior management members, or holders of the overseas-listed foreign-invested shares and holders of domestic-invested shares, based on the Articles of Association or any rights or obligations conferred or imposed by the

Company Law or any other relevant laws and administrative regulations concerning the affairs of the Company, such disputes or claims shall be referred by the relevant parties to arbitration.

Where a dispute or claim of rights abovementioned is referred to arbitration, the entire claim or dispute must be referred to arbitration and any person (being the Company or a shareholder, Director, supervisor, managers or other senior management members of the Company) who has a cause of action based on the same facts giving rise to the dispute or claim or whose participation is necessary for the resolution of such dispute or claim, shall abide by the arbitration.

Disputes in relation to the identification of shareholders and disputes in relation to the register of shareholders need not be referred to arbitration.

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

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

(3) If any disputes or claims of rights prescribed in subparagraph (1) above are referred to arbitration, the laws of the People's Republic of China shall apply, save as otherwise provided in laws and administrative regulations.

(4) The award of an arbitration body shall be final and conclusive and binding on all parties.

## **CHAPTER 21    OTHERS**

Article 165 Any requirement in these Articles of Association on the Company to send, mail, dispatch, issue, publish or otherwise make available any Corporate Communication may, to the extent permitted under the laws and regulations and the listing rules in the place where the Company's shares are listed and the Articles of Association, be satisfied by making available the Corporate Communication on the website of the Company or by sending or providing the same through electronic means.

“Corporate Communication” refers to any document issued or to be issued by the Company for the information or action of holders of any of its securities, including but not limited to: (a) the directors' report, its annual accounts together with a copy of the auditor's report and, where applicable, its summary financial report; (b) the interim report and, where applicable, its summary interim report; (c) a quarterly report; (d) notice of meeting; (e) a listing document; (f) a circular; and (g) a proxy form within the meaning as ascribed thereto under the listing rules of the stock exchange where its shares are listed.”