

**Beijing Jingcheng Machinery Electric Company Limited**

# **ARTICLES OF ASSOCIATION**

(In case of any inconsistency between the Chinese version and the English version,  
the Chinese version shall prevail.)

# **Beijing Jingcheng Machinery Electric Company Limited**

## **Articles of Association Time of Amendment and Adoption**

**Passed by a special resolution at the general meeting of the shareholders on July 14, 1993**

**Amended by a special resolution at the general meeting of the shareholders on May 28, 1995**

**Approved by the State Commission for Restructuring the Economic System and Securities Committee of the State Council on July 17, 1995,**

**Respectively amended by special resolution at the general meeting of the shareholders on June 11, 2002**

**Amended by special resolution at the general meeting of the shareholders on June 12, 2003**

**Amended by special resolutions at the general meeting of the shareholders on May 24 of 2004**

**Amended by special resolutions at the general meeting of the shareholders on June 8 of 2005**

**Amended by special resolutions at the general meeting of the shareholders on June 27 of 2006**

**Amended by special resolutions at the general meeting of the shareholders on May 26 of 2009**

**Amended by special resolutions at the general meeting of the shareholders on May 18 of 2011**

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**Amended by special resolutions at the general meeting of the shareholders on Dec 16 of 2013**

**Amended by special resolutions at the general meeting of the shareholders on June 26 of 2014**

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## CHAPTER 1: GENERAL PROVISIONS

**Article 1** Beijing Jingcheng Machinery Electric Company Limited (hereafter “the Company”) was established prior to the implementation of the company Law of the People’s Republic of China (“the Company Law”) in accordance with relevant laws and regulations of the state and the *Guideline Opinions for Joint Stock Liability Company* promulgated by the State Commission for Restructuring the Economic System, and continues to exist upon the entry into force of the Company Law, and has been restructured pursuant to the *Company Law* and the *State Council’s Special Regulations Regarding the Issue and Listing of Shares Overseas by Joint Stock Liability Companies* (the “Special Regulations”) and satisfied the conditions specified by the *Company Law*.

The Company was established by the promoter on July 12, 1993 with the approval of the State Commission for Restructuring the Economic System (Ti Gai Sheng (1993) No.117), and registered in Beijing Administration of Industry and Commerce on July 13, 1993, and obtained the *Business License for Legal Person*, and the license number is: 110000005015956.

Beiren Group Corporation is the promoter of the Company.

**Article 2** These Articles of Association are formulated in accordance with the *Company Law*, *Securities Law of the People’s Republic of China* (the “Securities Law”), *Special Regulations and Mandatory Provisions for Articles of Associations of Companies Listed Overseas* (the Mandatory Provisions”) and other relevant regulations to safeguard the legal interests of the Company, its shareholders and creditors, and to regulate the organizations and activities of the Company.

**Article 3** The Company obtained approval from the Securities Committee of the State Council on July 9 1993, to issue an initial of 100,000,000 overseas listed foreign shares to overseas investors which were subscribed in foreign currency. The 100,000,000 shares were listed on the Stock Exchange of Hong Kong Limited on August 6 1993. 50,000,000 RMB ordinary shares were issued to domestic investors and were listed on the Shanghai Stock Exchange on May 6 1994. On December 19 2002, the Company obtained approval from China Securities Regulatory Commission to issue additional 22,000,000 RMB ordinary shares to domestic investors and were listed on the Shanghai Stock Exchange on January 16 2003.

**Article 4** The Company’s registered Chinese name: 北京京城機電股份有限公司

English name: Beijing Jingcheng Machinery Electric Company Limited

**Article 5** The Company’s address: Rm 901, Jingcheng Holding Mansion, No. 59 Dongsanhuan Road Central, Chaoyang District, Beijing, the PRC postal code: 100022, telephone number: 010-87707356

**Article 6** The Company’s legal representative is the chairman of the Company.

**Article 7** The Company is a joint stock liability company of permanent existence.

**Article 8** All assets of the Company are divided into shares of equal value. Shareholders are liable to the extent of the shares they held, whereas the Company is liable for its liabilities with all its assets.

**Article 9** Entry into Force of the Articles of Association

The Articles of Association passed by a special resolution at the general meeting of the shareholders on July 14, 1993 and registered at Beijing Administration of Industry and Commerce and became effective on the same day. The Articles of Association was amended by a special resolution at the general meeting of the shareholders on May 28, 1995, and respectively amended by a special resolution at the general meeting on June 11,2002,June 12,2003,May 24,2004,June 8,2005,June 27,2006,May 26,2009 and then became effective and superseded the foregoing Articles of Association upon being filed with the competent authorities.

Upon its entry into force, the Company's Articles of Association shall constitute a legally binding document that regulates the Company's organizations and activities, rights and obligations between the Company and each shareholder and among the shareholders.

**Article 10** The Company's Articles of Association are binding upon the Company and its shareholders, directors, supervisors, managers and other senior officers, the fore-mentioned may, according to the Company's Articles of Association, assert rights in respect of the affairs of the Company.

Other senior officers fore-mentioned shall refer to the Company's deputy managers, secretary of the board of directors, and financial officers.

A shareholder may take action against the Company pursuant to the Company's Articles of Association, and vice versa. A shareholder may also take action against another shareholder or the directors, supervisors, managers and other senior officers of the Company pursuant to the Company's Articles of Association.

The prosecution referred includes court proceedings and arbitration proceedings.

**Article 11** The Company may invest in other limited liability companies or joint stock liability companies, and its liabilities to the invested company shall be limited to the amount of its capital contribution.

**Article 12** CPC grassroots activities of the Company shall be governed by the CPC Constitution.

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

**Article 13** Objectives: the Company shall lawfully conduct the business, utilize the funds in a proper and effective manner, introduce the advanced and scientific management, keep seeking for the technical progress, use the latest market and technical information to duly adjust the operation strategy, pay attention to economic lot size and scale of economy, engage in gas storage and transportation equipments and related industries, explore domestic and international market with excellent products, superior service and advanced technology, to be world-class company, and to ensure the greatest extent proper economic returns to the shareholders lawfully.

**Article 14** Authorised scope of operation: general logistics; professional contractor.

General scope of operation: development, design, sales, installation, adjustment, maintenance of cryogenic containers for storage, compressors (piston compressor, membrane compressor and membrane compressor of nuclear grading) and accessories; machinery equipment and electrical equipment; technical consultancy and technical services; information consulting services; import and export of commodities and technology and acting as import and export agency.

The Company shall file application with registration authority based on the scope of operation set out in this article. The scope of business of the Company shall be consistent with and subject to that approved by the authority responsible for the registration of the Company.

The Company is allowed to set up branches, subsidiaries, jointly controlled enterprises and offices domestically and overseas based on the scope of operation set out in this article upon gaining approval in accordance with the approval procedures.

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

**Article 15** There must, at all times, be ordinary shares in the Company. Subject to the approval of the department authorized by the State Council, the Company may, according to its requirements, create other classes of shares.

**Article 16** The shares issued by the Company shall each have a par value of Renminbi one (1.00) yuan.

**Article 17** Shares of the Company shall be issued in an open, fair and just manner, and shares of the same class shall carry the same rights.

Each of the shares of the same class shall be issued under the same conditions and at the same price in each issuance. The price payable per share subscribed by any entity or individual shall be the same.

**Article 18** Subject to the approval of the securities authority of the State Council, the Company may issue shares to domestic investors and foreign investors.

“Foreign investors” in the preceding paragraph shall mean those investors who subscribe shares issued by the Company and are located in foreign countries and in the regions of Hong Kong, Macau and Taiwan. “Domestic investors” shall refer to those who subscribe shares issued by the Company and are located within the territory of the PRC, excluding the above mentioned areas.

**Article 19** Shares which the Company issues to domestic investors for subscription in Renminbi shall be referred to as “domestic-invested shares”. Shares which the Company issues to foreign investors for subscription in foreign currencies shall be referred to as “foreign-invested shares”. Foreign-invested shares which are listed overseas are called “overseas-listed foreign-invested shares”.

**Article 20** Upon establishment, the Company instantly turned to public offering. Approved by the competent department authorized by the State Council, the Company may issue a total of 422,000,000 ordinary shares, of which:

(1) When the Company was established, 250,000,000 shares were issued to the promoter, accounting for 59.2% of the total number of ordinary shares which may be issued by the Company.

(2) After its establishment, the Company, from July 23 to July 28 of 1993, issued 100,000,000 shares in Hong Kong to foreign investors, accounting for 23.7% of the total number of ordinary shares which may be issued by the Company.

(3) After its establishment, the Company, from March 27 to April 12 of 1994, issued 50,000,000 shares to domestic investors, accounting for 11.9% of the total number of ordinary shares which may be issued by the Company.

(4) After its establishment, the Company, from December 26, 2002 to January 7, 2003, issued 22,000,000 shares to domestic investors, accounting for 5.2% of the total number of ordinary shares which may be issued by the Company.

**Article 21** The Company's board of directors may make separate arrangements for the issuance of overseas-listed foreign invested shares and domestic-invested shares after getting the approvals by the competent department authorized by the State Council.

Proposals to issue overseas-listed foreign-invested shares and domestic-invested shares pursuant to the preceding paragraph may be implemented respectively within fifteen (15) months as from the date of approval by the Securities Committee of the State Council.

**Article 22** Where the total number of shares stated in the issuance proposal includes overseas-listed foreign-invested shares and domestic shares, such shares shall be fully subscribed for at their respective offerings. If the shares cannot be fully subscribed for at one time due to special circumstances, the shares may, subject to the approval of the Securities Committee of the State Council, be issued in separate offerings.

**Article 23** The Company's registered capital is RMB 422,000,000.

**Article 24** The Company may, based on its operation and development needs, approve the increase of its capital pursuant to the Articles of Associations.

The Company may increase its capital in the following ways:

- (1) by collecting new shares from unspecified investors;
- (2) by issuing new shares to its existing shareholders;
- (3) by allotting bonus shares to its existing shareholders;
- (4) by converting reserve funds into capital;
- (5) by other means permitted by laws and administrative regulations.

Upon the approval in accordance with the Company's Articles of Association, the increasing of share capital by issuing new shares shall be conducted pursuant to the procedures set out in the relevant PRC laws and administrative regulations.

**Article 25** The Company or its subsidiaries (including its affiliated companies) shall not, by way

of a gift, advance, guarantee, compensation, loans etc., provide any financial assistance to a person who acquires or intends to acquire the shares of the Company.

**Article 26** Unless otherwise specified by laws and administrative regulations, shares of the Company may be freely transferred without any right of lien.

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

**Article 27** Pursuant to the Company's Articles of Association, the Company may reduce its registered capital.

**Article 28** When its registered capital is reduced, a balance sheet and an inventory of assets must be prepared.

The Company shall notify its creditors within ten days upon making a resolution for capital reduction, and shall publish an announcement in a newspaper for at least three times within thirty days. A creditor has the right, within thirty days upon receiving the notice from the Company or, in case that he fails to receive such a notice, within ninety days after the first public announcement, to require the Company to repay its debts or to provide a corresponding guarantee for such debts.

The Company's registered capital, after capital reduction, may not be less than the minimum amount prescribed by law.

**Article 29** In any of the following circumstances, the Company may, in accordance with the procedures set out in the Articles of Association and with the approval of the competent authorities, repurchase its issued shares:

- (1) cancelling shares for the purpose of capital reduction;
- (2) merging with another company that holds shares in the Company;
- (3) giving shares as a reward for the Company's employees;
- (4) merger or division resolutions proposed at the general meeting of the shareholders are opposed by some shareholders who ask the Company to repurchase their shares;
- (5) other circumstances permitted by laws and administrative regulations.

Unless in any of the aforesaid circumstances, the Company shall not engage in selling or purchasing its shares.

**Article 30** Subject to the approval of the competent authorities, the Company may repurchase its shares in one of the following ways:

- (1) by making a general offer of repurchase to all its shareholders on same pro rata basis;
- (2) by repurchasing shares through public trading on a stock exchange;
- (3) by repurchasing shares outside the stock exchange by means of an agreement;
- (4) Other means accepted by the CSRC.

**Article 31** The company must obtain the prior approval from the general meeting of the shareholders as stipulated in the Company's Articles of Association before it can repurchase shares outside



the stock exchange by means of an agreement. By obtaining the prior approval from the general meeting of the shareholders in the same manner, the Company may release, vary or waive its rights under an agreement which has been so entered into.

The repurchase agreement referred to in the preceding paragraph shall include (but not limited to) an agreement undertaking to repurchase shares or acquiring a right to repurchase shares.

The Company may not assign an agreement for repurchase of its shares or any right contained in such an agreement.

**Article 32** Upon the repurchase of shares pursuant to law and Article 29 herein, in case of a circumstance specified in Article 29 (1), the Company shall cancel this part of shares within 10 days upon the purchase, and in case of a circumstance specified in Article (2) or (4), it shall make the transfer or cancellation within 6 months, and apply to the original company registration authority for the registration of the change in its registered capital.

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

When the Company repurchases its shares in accordance with Article 29 (3) herein, the amount shall not exceed 5% of total issued shares; funds for repurchase shall be paid out from the Company's after-tax profit, and shares repurchased shall be transferred to employees within 1 year.

**Article 33** Unless in the process of liquidation, when repurchasing its issued shares, the Company must comply with the following provisions:

(1) Where the Company repurchases its shares at par value, payment shall be made out of the book surplus of distributable profit or out of the proceeds of new issuance made for that purpose.

(2) Where the Company repurchases its shares at a premium, payment up to the par value shall be made out of the book surplus of distributable profit or out of the proceeds of new issuance made for that purpose. Payment of the portion in excess of the par value shall be made as follows:

a) If the shares repurchased were issued at par value, payment shall be made out of the book surplus of distributable profit;

b) If the shares repurchased were issued at a premium, payment shall be made out of the book surplus of distributable profit or out of the proceeds of new issuance made for that purpose, provided that the amount paid out of the proceeds of new issuance shall not exceed the aggregate premiums received by the Company on issuing the shares repurchased, nor shall it exceed the book value of the Company's premiums account ( or capital reserve account) (including premiums from the new issuance);

(3) Payment for the following purchases shall be made out of the Company's distributable profit:

a) acquiring the right to repurchase its shares;

b) modifying any contract for the repurchase of its shares;

c) releasing its obligations under any contract for the repurchase of its shares.

(4) After the aggregate par value of the cancelled shares is reduced from the Company's registered capital in accordance with relevant provisions, the amount deducted from the distributable profit for the payment of the par value of repurchased shares shall be included under the Company's premiums account (or capital reserve account).

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

**Article 34** The Company or its subsidiaries shall not, at any time, provide any form of financial assistance to a person who is acquiring or is proposing to acquire shares in the Company. This includes any person who directly or indirectly undertakes any obligations as a result of acquiring shares in the Company (the "obligor").

The Company or its subsidiaries shall not, at any time, provide any form of financial assistance to the obligor for the purpose of reducing or discharging the obligations assumed by such obligor.

This Article shall not apply to circumstances specified in Article 36 of this Chapter.

**Article 35** For the purpose of this Chapter, "financial assistance" includes ( but not limited to) the following:

- (1) Gift;
- (2) Guarantee ( including the assumption of liability or the provision of assets by the guarantor to secure the performance of obligations by the obligor), compensation (other than compensation arising from the Company's own fault), release or waiver of any rights;
- (3) Provision of loan or any other agreement under which the Company shall fulfill its obligations before another party, or the change in parties to, or the assignment of rights under, such loan or agreement;
- (4) Any other form of financial assistance given by the Company when it is insolvent or no net assets or its net assets would thereby be reduced greatly.

For the purpose of this Chapter, "assumption of obligations" includes the assumption of obligations by way of contract or agreement (irrespective of whether such contract or agreement is enforceable or not and irrespective of whether such obligation is to be borne solely by the obligor or jointly with other persons) or by any other means which results in a change in its financial position.

**Article 36** The following actions shall not be deemed as prohibited by Article 34 of this Chapter:

- (1) the provision of financial assistance by the Company is given in good faith in the interest of the Company, and the principal purpose is not for acquiring shares in the Company, or such financial assistance is an incidental part of some overall plan of company;
- (2) the lawful distribution of the Company's assets by way of dividend;
- (3) the allotment of bonus shares as dividend;
- (4) the reduction of registered capital, repurchase of shares of the Company or reorganization of

the share capital structure in accordance with the Company's Articles of Association;

(5) Offering loans by the Company within its scope of business and for the purpose of its normal business activities (provided that net assets of the Company are not thereby reduced or that, to the extent that the assets are thereby reduced, the financial assistance is provided out of distributable profit);

(6) Contributions made by the Company to employee share ownership schemes (provided that net assets of the Company are not thereby reduced or that, to the extent that the assets are thereby reduced, the financial assistance is provided out of distributable profit).

## **CHAPTER 6: SHARE CERTIFICATES AND REGISTER OF SHAREHOLDERS**

**Article 37** Share certificates of the Company shall be in registered form.

The share certificate of the Company, in addition to those required by the *Company Law*, shall include other particulars required by the stock exchange where the Company's shares are listed.

**Article 38** Share certificates of the Company shall be signed by the chairman of the board of directors. Where the stock exchanges on which the Company's shares are listed require other senior officers' signatures, the share certificates shall also be signed by such senior officers. Share certificates shall take effect after being imprinted or printed with the seal of the Company under the authorization of the board of directors. The signatures of the chairman of the board of directors or other senior officers also can be printed.

**Article 39** The Company shall keep a register of shareholders which shall contain the following particulars:

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

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

**Article 40** The Company may, in accordance with the mutual understandings and agreements between the securities authority of the State Council and overseas securities regulatory organizations, maintain the register of shareholders of overseas-listed foreign-invested shares overseas and appoint overseas agent(s) to manage such register of shareholders. The original register for holders of overseas-listed foreign-invested shares listed in Hong Kong shall be maintained in Hong Kong.

The duplicate register of shareholders of overseas-listed foreign-invested shares shall be maintained at the Company's residence. The appointed overseas agent(s) shall ensure the consistency between the

original and the duplicate register of shareholders at all times.

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

**Article 41** The Company shall have a complete register of shareholders which shall include the following parts:

(1) the register of shareholders which is maintained at the Company's residence, other than those described in (2) and (3) of this Article.

(2) the register of shareholders of overseas-listed foreign-invested shares of the Company which is maintained at the overseas stock exchange on which the shares are listed;

(3) the register of shareholders which is maintained in such other place as the board of directors may consider necessary for the listing of the Company's shares.

**Article 42** Each part of the register of shareholders shall not overlap. No transfer of any shares registered in any part of the register shall, during the continuance of that registration, be registered in any other part of the register.

The transfer of overseas-listed foreign-invested shares listed in Hong Kong shall be carried out in writing through transfer instrument in normal or ordinary form or in the form acceptable to the board of directors, or in a standard form of transfer specified by Hong Kong Exchanges and Clearing; such transfer instrument can be signed by hand or in a printed form. Transfer instruments all shall be maintained in the legal address of the Company or such other place that the board of directors may designate from time to time.

All overseas-listed foreign-invested shares listed in Hong Kong which have been fully paid up may be freely transferred in accordance with the Company's Articles of Association. However, unless such transfer complies with the following requirements, the board of directors may refuse to recognize any instrument of transfer and need not provide any reason therefore:

(1) a fee of HK\$ 2.50 per instrument of transfer or a higher amount agreed by Hong Kong Exchanges and Clearing for registration of the instrument of transfer and other documents which are related to or will affect the rights of ownership of the shares;

(2) the instrument of transfer only relates to overseas-listed foreign-invested shares listed in Hong Kong;

(3) the stamp duty on the instrument of transfer has already been paid;

(4) the relevant share certificates or any other evidence which the board of directors may reasonably require to show that the transferor has the right to transfer the shares have been provided;

(5) if it is intended that the shares be transferred to joint owners, the maximum number of joint owners shall not be more than four;

(6) the Company does not have any lien on the relevant shares.

Any change or correction to various parts of the register of shareholders shall be carried out in accordance with the law of the place where such parts of the register of shareholders are maintained.

**Article 43** No change may be made in the register of shareholders as a result of a transfer of shares within thirty days prior to the general meeting of the shareholders or within five days before the record date for the company's dividend distribution.

**Article 44** When the company needs to convene a general meeting, distribute dividends, liquidate the Company or for any other purpose that requires the confirmation of the rights attached to the shares in the Company, the board of directors shall decide on a date for the determination of the rights attached to the shares in the Company. The shareholders of the Company shall be such persons who appear in the register of shareholders at the close of such determination date.

**Article 45** Any person objecting or claiming to be entitled to have his name (title) entered in or removed from the register of shareholders may apply to a court of competent jurisdiction for rectification of the register.

**Article 46** Any person who is a registered shareholder or claims to be entitled to have his name (title) entered in the register of shareholders, if his share certificate (the "original certificate") was lost, may apply to the Company for a replacement of share certificate in respect of such shares (the "relevant shares").

The application for a replacement of share certificate by a holder of domestic-invested shares, who has lost his share certificate, shall be dealt with in accordance with Article 144 of the *Company Law*.

The application for a replacement of share certificate by a holder of overseas-listed foreign shares, who has lost his share certificate, shall be dealt with in accordance with the law of the place where the original register of shareholders of overseas-listed foreign-invested shares is maintained, the rules of the stock exchange or other relevant regulations.

The issue of a replacement of share certificate to a holder of overseas-listed foreign-invested shares listed in Hong Kong, who has lost his share certificate, shall comply with the following requirements:

(1) The applicant shall submit an application to the Company in a prescribed form accompanied by a notarial certificate or a statutory declaration, stating the grounds upon which the application is made, the circumstances and evidence of the loss, and declaring that no other person is entitled to have his name entered in the register of shareholders in respect of the relevant shares.

(2) The Company has not received any declaration made by any person other than the applicant declaring that his name shall be entered into the register of shareholders in respect of such shares before it decides to issue a replacement of share certificate to the applicant.

(3) The Company shall, if it intends to issue a replacement share certificate, publish a notice of its intention to do so at least once every thirty days within a period of ninety consecutive days in such newspapers as may be prescribed by the board of directors.

(4) The Company shall, prior publishing its intention to issue a replacement share certificate, deliver to the stock exchange on which its shares are listed, a copy of the notice to be published, and may publish the notice upon receiving the confirmation from such stock exchange that the notice has been exhibited in the premises of the stock exchange. Such notice shall be exhibited in the premises of the stock exchange for a period of ninety days.

In case of an application which is made without the consent of the registered holder of the relevant shares, the Company shall send by mail to such registered shareholder a copy of the notice to be published.

(5) Upon the expiration of the 90-day period referred to in (3) and (4) of this Article, if the Company has not received any challenge from any person in respect of the issue of the replacement share certificate, it may issue a replacement share certificate to the applicant pursuant to his application.

(6) Where the Company issues a replacement share certificate pursuant to this Article, it shall forthwith cancel the original share certificate and record such cancellation and issuance in the register of shareholders accordingly.

(7) All expenses related to cancelling the original share certificate and issuing a replacement one shall be borne by the applicant, and the Company shall have the right to refuse to take any action until reasonable security is provided by the applicant therefore.

**Article 47** Where the Company issues a replacement share certificate pursuant to the Articles of Association and a bona fide purchaser acquires or becomes the registered owner of such shares, his name (title) shall not be removed from the register of shareholders.

**Article 48** The Company shall not be liable for any damages sustained by any person by reason of the cancellation of the original share certificate or the issuance of the replacement share certificate, unless the claimant is able to prove that the Company has acted in a deceitful manner.

## **CHAPTER 7: SHARE TRANSFER**

**Article 49** Shares of the Company can be transferred legally.

**Article 50** The Company does not accept shares as the subject of pledge.

**Article 51** Shares in the Company held by the promoters shall not be transferred within 1 year from the date of the Company's establishment. The shares which were issued before the public offer shall not be transferred within 1 year since the shares of the Company were listed on the stock exchange(s).

During their tenure, directors, supervisors and the senior management officers of the Company shall report to the Company their shareholdings in the Company and changes therein and shall not transfer more than 25% per year of the total number of shares held by them; the shares held by them shall not be transferred within 1 year from the date when the shares of the Company were listed and traded on the stock exchange. The aforesaid persons shall not transfer their shares within 6 months from the date on which their resignation comes into effect.

**Article 52** Any gains from any sales of shares of the Company by any directors, supervisors, senior management officers or shareholders holding 5% or more of the shares within 6 months after their purchase of the same, or any gains from any purchase of shares of the Company by any of the aforesaid parties within 6 months after sale of the same shall be disgorged and paid to the Company. The board of directors of the Company shall recover such gains from the above mentioned parties, except that 6-month time limit with respect to the sale of such shares shall not apply to any holding 5% or more of the shares of the Company by any securities company as a result of its purchase of remaining shares sold under an underwriting obligation.

If the board of directors of the Company fails to comply with the requirements in accordance with the preceding paragraph, a shareholder shall have the right to request the board of directors to carry out within 30 days. If the board of directors fails to do so within the said time limit, a shareholder shall have the right to initiate proceedings in the People's court directly in his own name for the interests of the Company.

If the board of directors of the Company fails to comply with the requirements in accordance with the first paragraph, the responsible director(s) shall assume joint and several liabilities under the law.

## **CHAPTER 8: SHAREHOLDERS' RIGHTS AND OBLIGATIONS**

**Article 53** A shareholder of the Company is a person who lawfully holds shares in the Company and whose name (title) is entered in the register of shareholders.

A shareholder shall enjoy rights and assume obligations according to the class and amount of shares held by him; shareholders who hold shares of the same class shall enjoy the same rights and assume the same obligations.

**Article 54** Ordinary shareholders of the Company shall enjoy the following rights:

- (1) to receive dividends and other distributions in proportion to the number of shares held;
- (2) to attend or appoint a proxy to attend the general meeting of the shareholders and to vote thereat;
- (3) to supervise the Company's business operations and to present proposals or to raise queries;
- (4) to transfer shares in accordance with laws, administrative regulations and the Company's Articles of Association;
- (5) to obtain relevant information in accordance with the Company's Articles of Association, including:
  - A. to obtain a copy of the Company's Articles of Association, subject to payment of costs;
  - B. subject to payment of a reasonable fee, to inspect and copy:
    - 1) all parts of the register of shareholders;
    - 2) personal particulars of each of the Company's directors, supervisors, managers and other senior officers, including:

- (a) present and former name and alias;
  - (b) principal address (place of residence);
  - (c) nationality;
  - (d) primary and all other concurrent occupations and duties;
  - (e) identification documents and the numbers thereof;
- 3) reports on the state of the Company's share capital;
  - 4) reports showing the aggregate par value, quantity, highest and lowest 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 paid for the Company for this purpose;
  - 5) minutes of shareholders' meetings.

(6) to know and participate in the Company's important matters prescribed by laws, administrative regulations and the Company's Articles of Association;

(7) to protect their lawful rights through civil action or other legal means in accordance with laws and administrative regulations; in case that any resolution adopted by the general meeting of the shareholders or the board of directors violates laws and administrative regulations and infringes upon shareholders' lawful rights and interests, shareholders shall have the right to demand the termination of the aforesaid violation or infringement; directors, supervisors or managers shall be held liable for compensation if they violate laws, administrative regulations or the Company's Articles of Association in the course of performing their duties and cause damages to the Company. Shareholders shall have the right to ask the Company to sue for compensation in accordance with law;

(8) in the event of the termination or liquidation of the Company, to participate in the distribution of surplus assets of the Company in accordance with the number of shares held;

(9) other rights conferred by laws, administrative regulations and the Company's Articles of Association.

**Article 55** When directors or senior officers violate laws, administrative regulations or the Articles of Association in the course of performing their duties and cause damages to the Company, shareholders either individually or collectively holding 1% or more of the Company's shares for more than 180 consecutive days may ask the supervisory committee in writing to bring an action to the people's court; when the supervisory committee violates laws, administrative regulations or the Articles of Association in the course of performing its duties and causes damages to the Company, shareholders may ask the board of directors in writing to bring an action to the people's court.

When the supervisory committee or board of directors refuses to bring such an action upon receiving the aforesaid written request from the shareholders, or fails to bring such an action within 30 days upon receiving such a request, or in case of any emergency, the Company's interests will be damaged beyond recovery if no immediate action is brought, shareholders in the preceding paragraph, for the interest of the Company, shall have the right to directly bring an action to the people's court in their own name.



When any other person infringes upon the Company's lawful rights and interests and causes damages to the Company, shareholders referred to in the first paragraph of this Article shall have the right to bring an action to the people's court in accordance with the first two paragraphs.

**Article 56** When directors or senior officers violate laws, administrative regulations or the Articles of Association and damage shareholders' interests, shareholders may bring an action to the people's court.

**Article 57** Shareholders of the Company shall have the following obligations:

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

In the event that shareholders of the Company have abused their rights as shareholders or they have caused losses to the Company or other shareholders, they shall bear compensation in accordance with the laws.

In the event that shareholders of the Company have abused the company's independent position as a legal person or the limited liabilities of shareholders to avoid indebtedness and caused serious damage to the interests of the Company's creditors, they shall be liable to the joint liabilities of the Company thereon.

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

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

**Article 58** When shareholders holding more than 5% of voting shares pledge their shares, they shall give a written report to the Company within three working days after the occurrence of such fact.

**Article 59** With the exception of obligations imposed by laws, administrative regulations or the listing rules of the stock exchange on which the Company's shares are listed, a controlling shareholder shall not exercise his voting rights in respect of the following matters in a manner prejudicial to the interests of all or part of the shareholders of the Company:

- (1) to relieve a director or supervisor of his duty to act honestly in the best interests of the Company;
- (2) to approve a director or supervisor to expropriate the Company's assets in any for (for such director or supervisor's own benefit or that of another person), including (but not limited to) opportunities beneficial to the Company;
- (3) to approve a director or supervisor to expropriate the personal rights of other shareholders (for such director or supervisor's own benefit or that of another person), including (but not limited to) rights to distribution, and voting rights, but not including the restructuring submitted for the approval of the general

meeting in accordance with the Company's Articles of Association.

**Article 60** A controlling shareholder referred to in the preceding Article shall satisfy 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 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.

**Article 61** The Company's controlling shareholders and beneficial owners shall not take advantage of their relationship to damage the Company's interests, and in case of any violation causing losses to the Company, they shall be liable for compensation.

The Company's controlling shareholders and beneficial owners have an obligation of good faith to the Company and its public shareholders. A controlling shareholder shall exercise his rights as an investor in strict accordance with law, and shall not harm the lawful rights and interests of the Company and the public shareholders through means such as profit distribution, assets reorganization, external investment, funds appropriation and lending guarantee, or shall he take advantage of his controlling position to damage the interests of the Company and the public shareholders.

**Article 62** A controlling shareholder shall nominate director or supervisor candidates for the listed company in strict accordance with conditions and procedures set out in laws, regulations and the Company's Articles of Association. A director or supervisor candidate thus nominated shall have relevant specific knowledge and the capacity for decision making and supervision. No controlling shareholders shall have the right to approve appointment resolutions by the general meeting of the shareholders or recruitment resolutions by the board of directors, and shall not go beyond the general meeting of the shareholders or the board of directors to appoint or remove the senior officers for the listed company.

**Article 63** Important decisions of the listed company shall be made by the general meeting of the shareholders and the board of directors in accordance with law. A controlling shareholder shall not, directly or indirectly, intervene in the Company's decision making and lawful production and operation activities, and damage the rights and interests of the Company and other shareholders.

**Article 64** Persons of the listed company shall be independent from the controlling shareholders. Managers, financial and marketing officers and the secretary of the board of directors in the listed company shall act for nothing but the director of the units of the controlling shareholders. When a senior officer of a controlling shareholder acts concurrently as the director of the listed company, he shall ensure that he shall have sufficient time and energy to assume duties in the listed company.

**Article 65** The listed company shall establish a sound financial and accounting management system and carry out the independent accounting in accordance with laws and regulations. Controlling shareholders shall respect the Company's financial independence and not intervene in the financial and accounting activities of the Company.

**Article 66** The listed company's board of directors, supervisory committee and other internal departments shall be independent from each other. A controlling shareholder and his functional departments and the listed company and its functional departments are not subordinate or superior to each other. A controlling shareholder and departments below him shall not issue any operation plan or instruction to the listed company or departments under it, nor shall affect their operation and management independence in any other way.

**Article 67** The business of the listed company shall be wholly independent from its controlling shareholders. A controlling shareholder and other units under him shall not engage in businesses the same or similar with those of the listed company. Controlling shareholders shall take effective measures to avoid horizontal competition.

#### **CHAPTER 9: GENERAL MEETINGS OF THE SHAREOLDERS**

**Article 68** The general meeting of the shareholders is the organ of authority for the Company, and shall exercise its functions and powers in accordance with law.

**Article 69** The general meeting shall exercise the following powers:

- (1) to decide the Company's operational guidelines and investment schemes;
- (2) to elect and remove directors and supervisors not being employees' representatives and to determine matters relevant to the directors' or supervisors' remuneration;
- (3) to consider and approve the report of the board of directors;
- (4) to consider and approve the report of the supervisory committee;
- (5) to consider and approve the Company's annual budget scheme and budget implementation proposal;
- (6) to consider and approve the Company's profit distribution and loss recovery plan;
- (7) to resolve the increase or decrease in registered capital of the Company;
- (8) to resolve the issue of corporate bonds;
- (9) to resolve the merger, division, dissolution, liquidation of the Company or change of the Company's form;
- (10) to amend the Articles of Association;
- (11) to resolve the appointment and dismissal of the accountancy firms;
- (12) to consider and approve the guarantees provided in the next provision;
- (13) to consider the purchases or sales of any material asset of the Company, the amount of

which exceeds 30% of its latest audited total assets;

(14) to consider and approve the change in use of proceeds from fund raising;

(15) to consider the share incentive plan;

(16) to consider any other matters that are subject to determination of the general meeting as specified in laws, administrative regulations, department rules or the Articles of Association.

**Article 70** Guarantees required to be approved at the general meeting shall not be submitted to the general meeting for consideration and approval until after being considered and passed by the board of directors, and guarantees subject to the approval at the general meeting shall include, but not limited to, the following:

(1) any guarantee as provided after the total amount of guarantees provided by the Company and its controlling subsidiaries reaches or exceeds 50% of the latest audited net assets;

(2) a guarantee provided to a party whose asset-liability ratio is higher than 70%;

(3) a guarantee, the amount of which exceeds 10% of the latest audited net assets;

(4) a guarantee provided to the shareholder, beneficial controller or their respective related parties.

When the general meeting considers a guarantee proposed for a shareholder, beneficial owner or his related party, this shareholder or other shareholders controlled by this beneficial owner shall not vote for the proposal, which shall have the affirmative votes by a majority of votes held by other shareholders attending the general meeting.

A guarantee subject to the approval of the board of directors must be agreed by at least two thirds of directors attending the board of directors with a resolution being adopted.

When a guarantee is provided by the Company, the recipient must provide a counter-guarantee, and the party providing the counter-guarantee shall be able to undertake relevant liabilities.

**Article 71** General meetings of the shareholders are divided into annual general meetings and extraordinary general meetings. General meetings shall be convened by the board of directors. Annual general meetings are held once every year and within six months from the end of the preceding financial year.

In any of the following circumstances, the board of directors shall convene an extraordinary general meeting within two months:

(1) where the number of directors is less than that stipulated in the *Company Law* or two thirds of the number specified in the Company's Articles of Association;

(2) where the unrecovered losses of the Company amount to one third of the total share capital;

(3) where shareholders holding 10% or more of the Company's issued outstanding voting shares request in writing for convening an extraordinary general meeting;

(4) whenever the board of directors deems necessary;

(5) when the supervisory committee requests.

**Article 72** The place for holding general meetings is: Jingcheng Holding Mansion, No. 59 Dongsanhuan Road Central, Chaoyang District, Beijing, the PRC.

The general meeting shall have a meeting place for convening the onsite meetings.

**Article 73** The Company shall engage lawyers to attend the general meeting and advise on the following issues with announcements made thereon:

(1) whether or not the convening of the general meeting and its procedures are in compliance with laws, administrative regulations and the Articles of Association;

(2) verification of the validity of the eligibility of attendees and the convener;

(3) whether or not the voting or voting results of the meeting are lawful and valid;

(4) legal opinions on other matters at the request of the Company.

**Article 74** When the Company convenes a general meeting, a written notice of the meeting shall be given forty-five days before the date of the meeting to notify all registered shareholders of matters to be considered and the date and place of the meeting. A shareholder who intends to attend the meeting shall deliver to the Company his written reply concerning his attendance at such meeting twenty days before the date of the meeting.

**Article 75** When the Company convenes a general meeting, the board of directors, supervisory committee and shareholders either individually or collectively holding 3% or more of the Company's shares may propose motions.

Shareholders either individually or collectively holding 3% or more of the Company's shares may submit their provisional motions in writing to the convener 10 days before the meeting date. The convener shall issue a supplementary notice of the general meeting 2 days after the motions have been received and announce the contents of the motions.

Other than the circumstances referred to in the preceding paragraph, after the issuance of announcement by the convener, no changes shall be made to the stated motions in the notice of the meeting or the newly added motions.

The general meeting shall not vote on or resolve the motions that not stated in the notice of the general meeting or that not meet the requirements in the following article of this Articles of Association.

**Article 76** A motion to the general meeting shall satisfy the following conditions:

(1) Its contents do not contradict with the provisions of laws, regulations and the Articles of Association, and are within the scope of the operation of the Company or the powers of the general meeting;

(2) Contains clear topics and matters to be resolved;

(3) Submitted or delivered to the board of directors in writing.

**Article 77** When the board of directors decides not to include a motion on the agenda, it shall give

an explanation and account at this general meeting, and shall publish this motion and the board explanation together with the resolutions of the general meeting after the end of the general meeting.

**Article 78** A shareholder may request convening an extraordinary general meeting in accordance with the Articles of Association when he has any objection to the decision by the board of directors of not including his motion on the agenda of the general meeting.

**Article 79** The company shall, based on written replies received from shareholders twenty days before the general meeting, calculate the number of voting shares represented by the shareholders who intend to attend the meeting. If the number of voting shares represented by the shareholders who intend to attend the meeting amount to more than one half of the Company's total voting shares, the Company may hold the meeting; if not, the Company shall, within five days, notify the shareholders through public announcement of matters to be considered at, and the place and date for the meeting. After such an announcement, the Company may then hold the meeting.

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

**Article 80** A notice of a meeting of the shareholders shall satisfy the following criteria:

- (1) be in writing;
- (2) specify the place, date and time of the meeting;
- (3) state the matters to be discussed at the meeting;
- (4) provide necessary information and explanation for the shareholders to make an informed decision on the proposals. Without limiting the generality of the foregoing, where a proposal is made to amalgamate the Company with another, to repurchase the shares of the Company, to reorganize its share capital, or to restructure the Company in any other way, the terms of the proposed transaction must be provided in detail together with copies of the proposed agreement, if any, and the cause and effect of such proposal must be properly explained;
- (5) contain a disclosure of the nature and extent, if any, of the material interests of any director, supervisor, manager and other senior officers in the proposed transaction and state the difference when the effect which the proposed transaction will have on them in their capacity as shareholders is different from other shareholders of the same class.
- (6) contain the full text of any special resolution to be proposed at the meeting;
- (7) contain a conspicuous statement that a shareholder entitled to attend and vote at such meeting is entitled to appoint one or more proxies to attend and vote at such meeting on his behalf and that a proxy need not be a shareholder;
- (8) specify the time and place for delivering proxy forms for the relevant meeting;
- (9) record date for shareholders who are entitled to attend the general meeting;
- (10) name and telephone number of the contact person.

**Article 81** For a matter relating to the election of directors and supervisors is proposed to be discussed at the general meeting, the notice of the meeting shall fully disclose the detailed information of the candidates for directors and supervisors, which should at least include the following:

- (1) personal information such as educational background, working experience, and any part-time job;
- (2) whether there is any connected relationship between them and the Company or its controlling shareholder(s) or beneficial owner(s);
- (3) disclosure the number of their shareholdings in the Company;
- (4) whether or not they have been subject to any punishment by China Securities Regulatory Commission or other related authorities or stock exchanges.

In addition to adopting the accumulative voting system to elect directors and supervisors, each of the candidates for directors or supervisors shall be proposed in a separate motion.

**Article 82** Notice of the general meetings shall be served on each shareholder (whether or not such shareholder is entitled to vote at the meeting), by personal delivery or prepaid airmail to the address of the shareholder as shown in the register of shareholders. For the public holders of domestic-invested Shares, notice of the meetings may also be issued by way of public announcement.

The public announcement referred to in the preceding paragraph shall be published in one or more national newspapers designated by the securities authority of the State Council within the interval of forty-five days to fifty days before the date of the meeting; after the publication of such announcement, the holders of domestic-invested Shares shall be deemed to have received the notice of the relevant general meeting.

**Article 83** The accidental omission to give notice of a meeting, or the failure to receive the notice by, any person entitled to receive such notice shall not invalidate the meeting and the resolutions adopted thereat.

**Article 84** The board of directors and other convener will take such necessary measures to ensure the normal order of the shareholders' general meeting. For any disturbance to the order of the meeting and acts infringing on the lawful interests of the shareholders, measures will be taken to prevent them, and the relevant authority will be reported to pursue the matter.

**Article 85** Any shareholder who is entitled to attend and vote at a general meeting of the Company shall be entitled to appoint one or more persons (whether such person is a shareholder or not) as his proxies to attend and vote on his behalf, and a proxy so appointed shall be entitled to exercise the following rights pursuant to the authorization from that shareholder:

- (1) the shareholder's right to speak at the general meeting;
- (2) the right to demand or join in demanding a poll;
- (3) the right to vote by hand or on a poll, but when the proxy of a shareholder is more than

one may only vote on a poll.

If the shareholder is the recognized clearing house or its attorney as defined under the securities and futures regulations (Hong Kong laws Chapter 571), such shareholder is entitled to appoint one or more persons as his proxies to attend on his behalf at a general meeting or at any class meeting, but, if one or more persons have such authority, the letter of authorization shall contain the number and class of the shares in connection with such authorization. Such person can exercise the right on behalf of the recognized clearing house (or its attorney) as if he were the individual shareholder of the Company.

**Article 86** The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorized in writing, or if the appointor is a legal entity, either under seal or under the hand of a director or a duly authorized attorney of the legal entity

**Article 87** When an individual shareholder attends the meeting on his own, he shall show his identification card and share certificate, and when he authorizes a proxy to attend the meeting, he shall provide his identification card, the power of attorney and the share certificate.

When a shareholder is a legal entity, its legal representative or an attorney authorized by its legal representative shall attend the meeting. If its legal representative attends the meeting, he shall present his identification card, a valid document certifying his position as the legal representative and the share certificate; if an attorney attends the meeting, he shall present his identification card, a written power of attorney duly issued by the legal representative of the shareholder, and the share certificate.

**Article 88** The power of attorney provided by a shareholder to authorize another person to attend the general meeting on his behalf shall contain the following particulars:

- (1) the attorney's name;
- (2) whether or not the attorney has the voting right;
- (3) specific instructions to vote for, against or abstain for each matter on the agenda of the general meeting;
- (4) whether or not the attorney has the voting right for provisional motions on the agenda of the general meeting, and if is, specific instructions on how to exercise such voting right.
- (5) the date and effective period for the power of attorney
- (6) the attorney's signature (or seal), when the appointor is a legal entity, the official seal shall be affixed.

The power of attorney shall contain a statement that, in the absence of specific instructions from the shareholder, the proxy may vote as he thinks fit.

**Article 89** The proxy form shall be deposited at the address of the Company or another place specified in the notice of the meeting not less than 24 hours prior to the time appointed for the holding of the meeting as stated in the proxy form in which a proxy will be appointed or 24 hours prior to the time appointed for voting. Where the proxy form is signed by a person authorized by the appointer, the power of



attorney or other authorization instruments shall be notarized. The notarized power of attorney and other authorization instruments, together with the proxy form, shall be lodged at the address of the Company or such other place as specified in the notice to the meeting.

In the case that the appointer is a legal person, the proxy shall be authorized by the legal representative, the board of directors or other authority body of that legal person to attend the Company's general meeting.

**Article 90** The Company shall prepare the album for attendee signatures, which shall contain each attendee's name ( company name), ID number, address of residence, the number of shares held or with voting rights, and the name or (company name) of the appointor, etc.

**Article 91** Any form issued to a shareholder by the directors for the appointment of a proxy to attend and vote at meetings of the Company shall enable the shareholder to freely instruct the proxy to vote in favor of or against the motions, such instructions being given in respect of each individual matter to be voted on at the meeting. Such a form shall contain a statement that, in the absence of specific instructions from the shareholder, the proxy may vote as he thinks fit.

**Article 92** A vote given in accordance with the terms of a proxy shall be valid notwithstanding the death or loss of capacity of the appointor or revocation of the proxy or the authority under which the proxy was executed, or the transfer of the shares in respect of which the proxy is given, provided that the Company did not receive any written notice in respect of such matters before the commencement of the relevant meeting.

**Article 93** When a notice of the general meeting is sent out, without a proper reason, the general meeting shall not be postponed or cancelled, and motions stated in the notice of the meeting shall not be cancelled. In case of any postponement or cancellation, the convener shall publish an announcement and provide an explanation at least 2 working days before the original date of the meeting.

**Article 94** The convener and the legal advisers retained by the Company shall verify the legal eligibility of the shareholders based on the register of shareholders provided by the securities registration and clearing authority and shall register the name of the shareholders together with the numbers of shares with voting rights in their possession. Before the chairman of the meeting declares the number of shareholders and proxies present at the meeting as well as the total number of shares with voting rights in their possession, registration for the meeting shall be ended.

**Article 95** When convening a general meeting, all directors, supervisors and the secretary to the board of directors shall attend the meeting in person while managers and other senior management officers shall attend the meeting as non-voting attendees.

**Article 96** The Company shall formulate the rules of procedures for general meeting, specifying in details the convening and voting procedures for general meeting, including notice, registration, consideration of motions submitted, voting, ballot counting, announcement of the voting result, formation of a resolution, minutes and their signing, announcement, and the principles of authorization by the general

meeting to the board of directors, and the contents of authorization shall be clear and specific. Rules of procedures for general meeting, as an appendix to the Articles of Association, shall be prepared by the board of directors and approved by the general meeting of the shareholders.

**Article 97** At the annual general meeting, the board of directors and the supervisory committee report their work over the previous year, and each of the independent nonexecutive directors has to report their work also.

**Article 98** Directors, supervisors and the senior management officers should respond and explain to the questioning of and recommendations made by shareholders at the general meeting.

**Article 99** Chairman of the meeting should announce the number of shareholders and proxies present at the venue of the meeting and the total shares held by them with voting rights, and the number of shareholders and proxies present at the venue of meeting and the shares held by them with voting rights shall be the number recorded by the meeting.

**Article 100** The general meeting shall maintain minutes of the meeting, and the secretary of the board of directors shall be responsible for the minutes, which shall record the following:

- (1) time, place, agenda of the meeting and the name or title of the convener;
- (2) names of the chairman of the meeting, directors, supervisors, managers and other senior officers present or sit in at the meeting;
- (3) number of holders of domestic-invested shares, overseas-listed foreign-invested shares, floating shares and non-floating shares (including their proxies) present at the meeting, and total number of voting shares held by them and the percentage of these shares to the total number of shares of the Company;
- (4) process of consideration for each motion, important points of the speaking and voting results;
- (5) reply or explanation to shareholders' questions or recommendations;
- (6) names of the lawyer and the scrutinizer;
- (7) such other matters as required by the Articles of Association to be included.

**Article 101** The convener should ensure the truthfulness, accuracy and completeness of the minutes of the meeting. Directors, supervisors, the secretary to the board of directors, the convener or his representative and the chairman of the meeting shall sign on the minutes of the meeting. The minutes of the meeting should be maintained with the register for signing of attending shareholders and the letters of authorization of their proxies, and voting information otherwise derived for a period not less than 10 years.

**Article 102** The convener should ensure that the meeting is proceeding continuously until resolutions have been resulted. When special reasons such as force majeure have led to the interruption or termination of the meeting, measures should be taken to resume the meeting, or to end the meeting directly with a timely announcement. The convener should also report to the local office of China Securities

Regulatory Commission and the stock exchange(s).

**Article 103** Resolutions of the general meeting shall be divided into ordinary resolutions and special resolutions.

An ordinary resolution must be passed by more than one half of the voting rights represented by the shareholders (including proxies) present at the meeting.

A special resolution must be passed by more than two thirds of the voting rights represented by the shareholders (including proxies) present at the meeting.

**Article 104** Shareholders (including proxies) exercise their voting rights in proportion to their shareholdings with voting rights, and each share entitles the shareholder one voting right.

The shares held by the Company have no voting rights, and that part of shares is not counted as the total number of shares with voting rights held by shareholders attending the meeting.

The board of directors, independent non-executive directors and shareholders who meet relevant conditions may gather shareholders' voting rights. Voting rights shall be gathered without paying any compensation, and sufficient information disclosure shall be made to the shareholders from whom voting rights are gathered.

**Article 105** At any general meeting, a resolution shall be decided on a show of hands unless a poll is demanded by the following persons:

- (1) by the chairman of the meeting;
- (2) by at least two shareholders present in person or by proxy entitled to vote thereat;
- (3) by one or more shareholders (including proxies) either individually or collectively representing 10% or more of the shares with voting rights.

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

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

**Article 106** If a poll demanded is for the election of the chairman, or on a question of adjournment of the meeting, shall be taken forthwith. A poll demanded on any other question shall be taken at such time as the chairman of the meeting directs, and any business other than that upon which a poll has been demanded may be proceeded with, pending the taking of the poll. The result of the poll shall be deemed to be a resolution of the meeting at which the poll was demanded.

**Article 107** On a poll taken at a meeting, a shareholder (including a proxy) entitled to two or more votes need not cast all his votes in the same way.

**Article 108** In the case of an equality of votes, whether on a show of hands or on a poll, the chairman of the meeting shall have a casting vote.

**Article 109** The following matters shall be resolved by an ordinary resolution at a general meeting:

- (1) work reports of the board of directors and the supervisory committee;
- (2) profit distribution plans and loss recovery plans formulated by the board of directors;
- (3) election or removal of members of the board of directors and members of the supervisory committee, their remuneration and manner of payment;
- (4) annual preliminary and final budgets, balance sheets, profit and loss accounts and other financial statements of the Company;
- (5) matters other than those required by laws and administrative regulations or the Company's Articles of Association to be adopted by a special resolution.

**Article 110** The following matters shall be resolved by a special resolution at a general meeting:

- (1) increase or reduction of the share capital and issue of shares of any class, stock warrants or other similar securities;
  - (2) issuance of corporate bonds;
  - (3) division, merger, dissolution and liquidation of the Company;
  - (4) amendments to the Articles of Association of the Company;
  - (5) purchase or disposal of material assets or any guarantee, the amount of which exceeds 30% of the latest audited total assets of the Company;
  - (6) share incentive scheme;
- other matters which may have a significant impact on the Company if passed by ordinary resolutions, which need to be passed by special resolutions.

**Article 111** Subject to the legitimacy and validity of the general meeting, the Company shall, through various means and channels, including modern IT means such as online voting platform, expand the involvement of public shareholders in the general meeting.

**Article 112** Unless a prior approval in the form of special resolution is obtained at a general meeting, the Company shall not enter into any contract with any party other than the directors, managers and other senior management officers pursuant to which such party shall be responsible for management of the whole or any substantial part of the Company's business, save when the Company is in a crisis.

**Article 113** For a matter relating to the election of directors and supervisors is proposed to be discussed at the general meeting, the notice of the meeting shall fully disclose the detailed information of the candidates for directors and supervisors, which should at least include the following:

- (1) personal information such as educational background, working experience, and any part-time job;
- (2) whether there is any connected relationship between them and the Company or its controlling shareholder(s) or beneficial owner(s);
- (3) disclosure of their shareholdings in the Company;

(4) whether or not they have been subject to any punishment by China Securities Regulatory Commission or other related authorities or stock exchanges.

In addition to adopting the accumulative voting system to elect directors and supervisors, each of the candidates for directors and supervisors shall be proposed in a separate motion.

Under the aforesaid accumulative voting system, each share carrying voting right is entitled to such number of votes equivalent to the number of director and supervisor candidates which may be pooled in the course of the election of directors and supervisors at the shareholders' general meeting. The board of directors shall make a public announcement to the shareholders concerning the biographies and general information of the candidates for directors and supervisors.

**Article 114** In addition to the cumulative voting system, voting for all motions shall be conducted on an item-by-item basis. For the different motions on the same matter, voting related thereto shall be conducted based on the chronological order of proposing the motions. Unless a general meeting is suspended or no resolution can be adopted due to force majeure or other special reasons, no motion shall be set aside or rejected for voting at the general meeting.

**Article 115** When considering a motion at the general meeting, no change will be made thereto; otherwise, the relevant change shall be treated as a new motion which cannot proceed for voting at this general meeting.

**Article 116** Before a resolution is voted on at a general meeting, two shareholders representatives shall be elected as vote counters and scrutinizers. Any shareholder who is interested in the matter under consideration and proxies of such shareholder shall not participate in vote counting or scrutinizing. When the shareholders are voting on the motions, lawyers, shareholder representatives, auditors and/or the share registrar shall count and scrutinize the votes jointly, and the voting result will be announced forthwith. Voting on the resolutions will be recorded in the minutes of meeting.

**Article 117** Shareholders attending the general meeting shall submit their voting in the following ways: "for", "against" or "abstain".

Ballot papers that are left blank, unduly completed or illegible or that have not been used, are regarded as the voter having waived his voting rights, and the voting results corresponding to the shares in their possession shall be treated as "abstain from voting".

**Article 118** Resolutions of a general meeting shall be announced timely, and the announcement shall contain the number of shareholders and proxies present, the total number of voting rights and the percentage of their voting rights to the total of voting shares of the Company, means of voting, the voting result for each motion and the details of each resolutions.

**Article 119** If a motion is not passed, or if a previous resolution is changed by the present general meeting, special highlight in connection therewith should be made in the announcement of the resolutions of the general meeting.

**Article 120** In event that a motion in relation to election of directors or supervisors is passed at a general meeting, the term of office for the newly elected directors or supervisors shall be announced in the announcement of resolutions passed at the general meeting.

**Article 121** When the general meeting has passed motions regarding cash distribution, bonus issue or conversion of statutory surplus reserve into capital, the specific proposals shall be implemented within 2 months after the close of this general meeting.

**Article 122** Shareholders who request for the convening of an extraordinary general meeting or a class shareholder meeting shall comply with the following procedures:

(1) Two or more shareholders holding in aggregate 10 % or more of the shares carrying the right to vote at the meeting sought to be held shall sign one or more counterpart requisitions stating the object of the meeting and requiring the board of directors to convene an extraordinary general meeting or a class shareholder meeting thereof. The board of directors shall proceed to convene the extraordinary general meeting or a class shareholder meeting thereof after receipt of such requisition(s). The amount of shareholdings referred to above shall be calculated as at the date of deposit of the requisition(s).

(2) If the board of directors fails to issue a notice of such meeting within thirty days from the date of receipt of the requisition(s), the requesting shareholders may themselves convene such a meeting (in a manner as similar as possible to the manner in which shareholders' meetings are convened by the board of directors) within four months from the date of receipt of the requisition(s) by the board of directors.

Any reasonable expenses incurred by reason of failure by the board of directors to duly convene a meeting shall be repaid by the Company and any sum so repaid shall be set-off against sums owed by the Company to the defaulting directors.

**Article 123** Independent non-executive directors are entitled to propose to the board of directors to convene an extraordinary general meeting. The board of directors shall, in accordance with the laws, administrative regulations and these Articles of Association, furnish a written reply agree or disagree to the convening of an extraordinary general meeting within 10 days after receiving such proposal from the independent non-executive directors.

In the event that the board of directors agrees to convene an extraordinary general meeting, the notice of the general meeting shall be issued within 5 days after the passing of the relevant board resolution. In the event that the board of directors does not agree to convene an extraordinary general meeting, reasons for such disagreement shall be given by way of announcement.

**Article 124** The supervisory committee is entitled to propose the convening of an extraordinary general meeting to the board of directors, provided that such proposal shall be made in writing. The board of directors shall, in accordance with the laws, administrative regulations and these Articles of Association, furnish a written reply stating its agreement or disagreement to the convening of an extraordinary general meeting within 10 days after receiving such proposal.

In the event that the board of directors agrees to convene an extraordinary general meeting, the notice of the general meeting shall be issued within 5 days after the passing of the relevant resolution of the board of directors. Any change to the original proposal made in the notice requires prior approval of the supervisory committee.

In the event that the board of directors does not agree to convene an extraordinary general meeting or does not furnish any reply within 10 days after receiving such proposal, the board of directors shall be deemed as incapable of performing or failing to perform the duty of convening a general meeting, in which case the supervisory committee may convene and preside over such meeting on an unilateral basis.

**Article 125** If the supervisory committee determines to convene a general meeting on their own, it shall give a written notice to the board of directors and file the same with the local office of China Securities Regulatory Commission at the place where the Company is located and the stock exchange for records.

The shareholding of the convening shareholders shall not be lower than 10% prior to the announcement of the resolutions of the general meeting.

The convening shareholder shall submit relevant evidence to the local office of China Securities Regulatory Commission at the place where the Company is located and the stock exchange(s) upon the issuance of the notice of general meeting and the announcement of the resolutions of the general meeting.

**Article 126** The board of directors and the secretary to the board of directors shall cooperate with respect to matters relating to a general meeting convened by the supervisory committee at their own discretion. The board of directors shall provide the register of shareholders as of the date of record date.

**Article 127** Expenses arising from convening of a general meeting by the supervisory committee shall be borne by the Company.

**Article 128** The chairman of the board of directors shall convene and chair a general meeting. If the chairman is unable to attend the meeting for any reason, the vice-chairman of the board of directors shall convene and chair the meeting. If both the chairman and vice-chairman of the board of directors are unable to attend the meeting, then the board of directors may designate a director to convene and chair the meeting. If no chairman of the meeting has been so designated, shareholders present shall choose one person to act as the chairman of the meeting. If for any reason, the shareholders fail to elect a chairman, then the shareholder (including a proxy) holding the largest number of shares carrying the right to vote thereat shall be the chairman of the meeting.

The general meeting convened by the supervisory committee shall be presided over by the chairman of the supervisory committee. If the chairman of the supervisory committee is unable to perform his duties or has failed to perform his duties, a supervisor elected by more than half of the supervisors shall preside over the meeting.

Shareholders may convene the meeting themselves and a representative nominated by the convener

shall preside over the meeting.

In the event that when convening the general meeting, the person presiding over the general meeting violates the rules of procedures so that the meeting could not proceed, another person may be nominated to preside over the meeting, subject to the approval of shareholders present at the meeting entitled to more than half of the voting rights.

**Article 129** The board of directors and the supervisory committee shall reply or account for questions and recommendations of the shareholders at the general meeting unless any business secret of the Company is involved.

**Article 130** The chairman of the meeting shall be responsible for determining whether a resolution has been passed. His decision, which shall be final and conclusive, shall be announced at the meeting and recorded in the minutes.

**Article 131** If the chairman of the meeting has any doubt as to the result of a resolution which has been put to vote at a shareholders' meeting, he may have the votes counted. If the chairman of the meeting has not counted the votes, any shareholder who is present in person or by proxy and who objects to the result announced by the chairman of the meeting may, immediately after the declaration of the result, demand that the votes be counted and the chairman of the meeting shall have the votes counted immediately.

**Article 132** In the course of considering matters relating to the connected transactions at a general meeting, the shareholders involving connected transactions will abstain from voting. The number of voting shares represented by such shareholders shall be excluded from the total number of voting shares attending the meeting.

[Subject to the knowledge of the Company,] when a shareholder, pursuant to securities listing rules of Hong Kong Exchanges and Clearing, gives up his voting right or only can vote in favor of or against a matter, votes by shareholders themselves or their proxies violating relevant provisions or restrictions shall not be included in the voting result.

**Article 133** Matters with respect to the number of attendees, number of shares held by attending shareholders, power of attorney, voting result for each matter, the minutes and procedures of the meeting may be notarized.

**Article 134** Copies of the minutes of proceedings of any shareholders' meeting shall, during business hours of the Company, be open for inspection by any shareholder without charge. If a shareholder requests for a copy of such minutes from the Company, the Company shall send a copy of such minutes to him within seven days after receipt of reasonable fees.

## **CHAPTER 10: SPECIAL PROCEDURES FOR VOTING BY A CLASS OF SHAREHOLDERS**

**Article 135** Those shareholders who hold different classes of shares are class shareholders.



Class shareholders shall enjoy rights and assume obligations in accordance with laws, administrative regulations and the Company's Articles of Association.

**Article 136** Rights conferred on any class of shareholders may not be varied or abrogated save with the approval of a special resolution at a general meeting and by holders of shares of that class at a separate meeting convened in accordance with Articles 139 to Article 143.

**Article 137** The following circumstances shall be deemed to be variation or abrogation of the rights attaching to a particular class of shares:

(1) to increase or decrease the number of shares of that class, or to increase or decrease the number of shares of a class having voting or distribution rights or privileges equal or superior to those of shares of that class;

(2) to exchange all or part of the shares of that class for shares of another class or to exchange or to create a right to exchange all or part of the shares of another class for shares of that class;

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

(4) to reduce or remove preferential rights attached to shares of that class to receive dividends or to the distribution of assets in the event that the Company is liquidated;

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

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

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

(8) to restrict the transfer or ownership of shares of that class or to increase the types of restrictions attaching thereto;

(9) to allot and issue rights to subscribe for, or to convert the existing shares into, shares in the Company of that class or another class;

(10) to increase the rights or privileges of shares of another class;

(11) to restructure the Company in such a way so as to result in the disproportionate distribution of obligations between the various classes of shareholders;

(12) to vary or abrogate the provisions of this Chapter.

**Article 138** Shareholders of the affected class, whether or not otherwise having the right to vote at shareholders' general meetings, have the right to vote at class meetings in respect of matters concerning sub-paragraphs (2) to (8), (11) and (12) of Article 137, but interested shareholder(s) shall not be entitled to vote at such class meetings.

"(An) interested shareholder(s)", as such term is used in the preceding paragraph, means:

- (1) in the case of a repurchase of shares by way of a general offer to all shareholders of the Company or by way of public dealing on a stock exchange pursuant to Article 30, a "controlling shareholder" within the meaning of Article 60;
- (2) in the case of a repurchase of shares by an off-market agreement pursuant to Article 30, a holder of the shares to which the proposed agreement relates;
- (3) in the case of a restructuring of the Company, a shareholder who assumes a relatively lower proportion of obligation than the obligations imposed on shareholders of that class under the proposed restructuring or who has an interest in the proposed restructuring different from the general interests of the shareholders of that class.

**Article 139** Resolutions of a class of shareholders shall be passed by votes representing more than two-thirds of the voting rights of shareholders of that class represented at the relevant meeting who, according to Article 138, are entitled to vote thereat.

**Article 140** A written notice of a class meeting shall be given to all shareholders who are registered as holders of that class in the register of shareholders forty-five days before the date of meeting. Such notice shall give such shareholders notice of the matters to be considered at such meeting, the date and the place of the class meeting. A shareholder who intends to attend the class meeting shall deliver his written reply in respect thereof to the Company twenty days before the date of meeting.

If the shareholders who intend to attend such class meeting represent more than half of the total number of shares of that class which have the right to vote at such meeting, the Company may hold the class meeting; if not, the Company shall within five days give the shareholders further notice of the matters to be considered, the date and the place of the class meeting by way of public announcement. The Company may then hold the class meeting after such public announcement has been made.

**Article 141** Notice of class meetings need only be served on shareholders entitled to vote thereat.

Class meetings shall be conducted in a manner which is as similar as possible to that of shareholders' general meetings. The provisions of the Company's Articles of Association related to the procedures of general meetings are also applicable to class meetings.

**Article 142** Apart from the holders of other classes of shares, the holders of the domestic-invested shares and holders of overseas-listed foreign-invested shares shall be deemed to be holders of different classes of shares.

The special procedures for approval by a class of shareholders shall not apply in the following circumstances:

- (1) where the Company issues, upon the approval by special resolution of its shareholders at a general meeting, either separately or concurrently once every twelve months, not more than 20% of each of its existing issued domestic-invested shares and overseas-listed foreign-invested shares;
- (2) where the Company's plan to issue domestic-invested shares and overseas-listed

foreign-invested Shares at the time of its establishment is carried out within fifteen months from the date of approval of the securities authority of the State Council.

## **CHAPTER 11: BOARD OF DIRECTORS**

**Article 143** The board of directors is established to consist of 11 directors, 4 of which are independent non-executive directors. The board shall have 1 chairman and 1 vice-chairman.

**Article 144** Directors shall be elected at general meetings, with a term of office of 3 years. At the expiry of a director's term of office, the term is renewable upon re-election.

Directors shall be elected from the candidates nominated by the board of directors or shareholders representing 3% or more of the issued shares.

A written notice stating the intention to propose a director candidate and the willingness of this person to accept the nomination shall be sent to the Company after the dispatch of the notice of the meeting and no later than seven days prior to the date of such meeting.

The chairman and the vice-chairman shall be elected and removed by more than one half of all the members of the board of directors. The term of office for the chairman and the vice-chairman is three years, which is renewable upon re-election.

Subject to compliance with all relevant laws and administrative regulations, the general meeting of the shareholders may, by ordinary resolution, remove any director before the expiry of his term. However, the director's right to claim for damages arising from his removal shall not be affected thereby. However, before the expiry of his term, the general meeting shall not discharge a director from his duties without reason.

A director needs not hold the shares of the Company.

Managers and other senior officers may hold a concurrent post as a director. However, the total number of directors who are serving concurrently as managers or other senior officers and directors from employees' representatives cannot exceed half of the total number of the Company's directors.

**Article 145** The board of directors may retain honorary adviser(s) as is necessary.

**Article 146** The board of directors reports to general meetings and exercises the following powers:

- (1) to convene the general meetings and report its work to the general meetings;
- (2) to implement the resolutions passed at the general meetings;
- (3) to decide on the Company's business plans and investment schemes;
- (4) to formulate the Company's annual budget schedule and budget implementation

proposal;

- (5) to formulate the Company's profit distribution plan and loss recovery plan;
- (6) to formulate proposals for increase or reduction of the Company's registered capital and the issue of corporate debentures;
- (7) to draw up proposals for important acquisition, purchase of the Company's share, or combination, division, dissolution and change in the form of the Company;
- (8) to decide within the authorization of the general meeting on investment, purchase, sale or mortgage of assets, guarantee, wealth management, related transaction and the like;
- (9) to determine the establishment of the Company's internal management structure;
- (10) to appoint or dismiss the Company's manager and secretary of the board of directors, to appoint or dismiss as nominated by the manager deputy managers and financial officers of the Company, and to determine their remuneration;
- (11) to formulate basic management policy for the Company;
- (12) to formulate proposed amendments to the Articles of Association;
- (13) to manage the Company's information disclosure;
- (14) to determine the Company's interim dividend distribution plan;
- (15) to propose to the general meeting to appoint or dismiss an accountancy firm as the internal control auditor;
- (16) to listen to the work report by the manager of the Company and inspect their work;
- (17) to exercise other powers conferred by laws, administrative regulations, departmental rules or the Articles of Association;
- (18) to exercise any other powers conferred by the shareholders at the general meetings.

Except for the resolutions of the board of directors in respect of the matters specified in items (6), (7) and (12) which shall be passed by two-thirds or more of the directors, the resolutions of the board of directors in respect of any other aforesaid matters may be passed by more than half of the directors.

**Article 147** The board of directors shall not, without the prior approval of a general meeting, dispose or agree to dispose of any fixed assets of the Company, where the aggregate of the amount or value of the proposed disposition and any such disposition of any fixed assets of the Company that has been completed in the period of four months immediately preceding the proposed disposition, exceeds 33 % of the Company's fixed assets as shown in the latest balance sheet considered at the general meeting.

For the purposes of this Article, "disposition" includes an act involving the transfer of an interest in assets, but does not include the usage of fixed assets for the provision of security.

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

**Article 148** The board of directors shall account for the non-standard auditing opinions provided

by the certified public accounts with respect to the Company's financial reports.

**Article 149** The board directors shall formulate rules of procedures for board meeting so as to ensure the implementation of resolutions adopted at the general meeting, better work efficiency and scientific decision making.

Rules of procedures for board meeting, as an appendix to the Articles of Association, shall be prepared by the board of directors and approved by the general meeting of the shareholders.

**Article 150** The board of directors may decide on using the Company's assets for venture investment, provided the amount of such investment is 15% or less of the latest audited net assets of the Company, and an investment in excess of this percentage must be decided by a general meeting. Venture investment may include business acquisition, merger, restructuring and project investment, financial investment and the like. The board of directors shall establish strict procedures of review and decision making, and subject important investments to expert consideration and examination important investments beyond the scope of authority shall be sent to the general meeting for approval.

**Article 151** The Chairman is entitled to exercise the following powers:

- (1) to preside over general meetings, to convene and preside over Board meetings and to lead the daily work of the board of directors;
- (2) to supervise and monitor the implementation of resolutions of the board of directors;
- (3) to exercise certain powers of the board of directors in accordance with authorization of the Board during intermissions of the meetings of the board of directors;
- (4) to sign shares, corporate debentures and other securities of the Company;
- (5) to nominate candidates for managers, secretary of the board and financial officers;
- (6) to sign documents for appointment or dismissal of the Company's managers, deputy managers, secretary of the board of directors, financial officers or other senior officers in accordance with decision of the board of directors;
- (7) to sign important documents of the board of directors and other documents that should be signed by the legal representative of the Company;
- (8) to exercise the powers of the legal representative;
- (9) in case of emergency circumstances of force majeure events such as extraordinary natural disasters, to exercise special disposal powers which comply with legal provisions and are in the interests of the Company on matters of the Company and provide post-event reports to the Board and the general meeting;
- (10) to exercise any other powers conferred by the board of directors.

The vice-chairman shall assist with the chairman's work, in event that the chairman is unable to or does not perform his powers, the vice-chairman may exercise such powers on the chairman's behalf. In case that the vice-chairman is unable to or does not perform his powers, a director named by more than half

of the directors may perform such powers.

**Article 152** There shall be at least 4 regular meetings of the board of directors in a year, approximately 1 meeting for every quarter, which shall be convened by the chairman of the board. A notice shall be sent to each director by means of EMS, registered mail, email or special personal delivery fourteen days before the meeting.

Shareholders representing one tenth or more of voting rights, one third or more directors, the supervisory committee, the manager of the Company, or half or more independent non-executive directors may propose to convene an extraordinary board meeting. The chairman of the board shall convene and preside over a board meeting within ten days upon receiving such proposal.

An extraordinary board meeting shall be notified in the same means for a regular board meeting. However, the notice shall be dispatched at least eight hours in advance and no later than ten days before the meeting.

**Article 153** The agenda and other documents related to a regular board meeting shall be timely sent to all directors at least three days before the proposed date of meeting for the board of directors or a committee under it

Notice of a meeting shall be deemed to have been given to any director who attends the meeting or a person who is present at the meeting without protesting against, before or at its commencement, any lack of notice.

**Article 154** A board meeting shall only be convened if more than half of the directors are present. Each director has one vote. Any resolution requires the affirmative votes of more than half of all directors in order to be passed.

In the case of an equality of votes, the chairman of the board of directors is entitled to a casting vote.

**Article 155** The board of directors may use a written resolution in lieu of a board meeting provided that a draft of such written resolution shall be delivered to each director in person, or by mail or fax. If the board of directors has delivered such proposed written resolution to all the directors and the directors who signed and approved such resolution have reached the required quorum, and the same has been delivered to the secretary of the board of directors, such resolution shall become a board resolution and there is no need to hold a board meeting.

**Article 156** Any regular or extraordinary board meeting may be held by way of teleconference or similar communication equipment so long as all directors participating in the meeting can clearly hear and communicate with each other. All such directors shall be deemed to be present in person at the meeting.

**Article 157** A director shall attend the board meeting in person, or appoint in writing other director to attend the meeting on his behalf if he fails to attend due to certain reasons. The power of attorney shall set out the scope of the authorization.

The director attending the meeting on behalf of the entrusting director shall only exercise the rights within the scope of authorities. If a director fails to attend a board meeting or fails to appoint another director to attend on his behalf, the said director shall be deemed to have waived his voting rights at the

said meeting.

**Article 158** When a director or his connected party (has the same meaning as defined in the securities listing rules of Hong Kong Exchanges and Clearing) has an important interest in any contract or arrangement, this director (unless exempted from relevant listing rules, laws and regulations in Hong Kong and China) shall abstain from voting on the approval of the said contract or arrangement. Such board meeting shall be convened with attendance of more than half of the number of directors who are not connected, and such resolutions shall be passed by a simple majority of those directors who are not connected at the board meeting. In the event that there is less than 3 directors who are not connected attend the board meeting, such matter shall be submitted to the general meeting for consideration.

**Article 159** Minutes shall be prepared for the resolutions of the matters put to the meeting of the board of directors for consideration, which shall be signed by the directors and the recorder present at the meeting and be maintained for a period of ten years. Directors shall be responsible to resolutions of the Board. If a resolution of the Board constitute violation of the laws, regulations, the Articles of Associations or resolution of general meetings, which causes material loss to the Company, the directors who have participated in passing the resolution shall be liable for compensation to the Company. But if it is proven and recorded in the minutes that the director has expressly objected to the resolution, such director may be exempted from such liabilities.

**Article 160** The following information shall be stated in minutes of board meetings:

- (1) the date and venue of the meeting and name of the convener;
- (2) the names of the directors present at the meeting and the names of directors (proxies) entrusted to attend the meeting;
- (3) agenda of the meeting
- (4) important points of a director's speech;
- (5) voting manner and result of each voted manner (the voting result shall state the number of consenting, dissenting and abstention votes).

**Article 161** The board of directors may establish special committee(s) under it as the case may be.

**Article 162** The board of directors may set aside a special fund as per 3% of annual sales income, for paying independent non-executive directors' remunerations and allowances, exchange and training expenses of relevant persons and other items approved by the chairman of the board.

## **CHAPTER 12: INDEPENDENT NON-EXECUTIVE DIRECTORS**

**Article 163** Independent non-executive directors shall account at least one third of the board, with at least 1 accounting professional. An independent non-executive director shall faithfully perform his duties, safety the interests of the Company, and in particular, strive to keep public shareholders from damages of their lawful rights and interests.

An independent non-executive director shall perform his duties in an independent manner, and not be affected by any shareholder, beneficial owner of the Company or any entity or individual with an interest in the Company or its leading shareholder or beneficial owner.

**Article 164** The board of director, the supervisory committee or shareholders holding 1% or more of the shares of the Company either individually or collectively may propose a candidate for independent non-executive directors to be elected at the general meeting.

**Article 165** Any important related transaction, appointment or dismissal of an accountancy firm shall be submitted to the board of directors for discussion provided that half or more independent non-executive directors have agreed. The proposal by an independent non-executive director to convene an extraordinary general meeting or a board meeting, or to publically gather votes from shareholders shall have the consent of half or more independent non-executive directors. Subject to the consent of all independent non-executive directors, an independent non-executive director may retain an auditing or consulting firm to provide the Company with specific auditing and consulting, with relevant expenses to be borne by the Company.

**Article 166** In addition to powers referred to in the preceding Article, an independent non-executive director may provide an independent opinion to the board of directors or the general meeting of the shareholders on the following matters:

- (1) nomination, appointment or removal of directors;
- (2) appointment or removal of senior officers;
- (3) remuneration of directors and senior officers of the Company;
- (4) any outstanding or new lending to or other monetary relationship with shareholders, beneficial owners or their related enterprises, the amount of which is higher than RMB 3 million or 5% of the latest audited net assets of the Company, and whether the company has effective measures to collect the arrears;
- (5) matters that independent non-executive director(s) deem might damage the rights and interests of small and medium shareholders;
- (6) other matters specified in the Articles of Association.

An independent non-executive director may give one of the following opinions on the aforesaid matters: approval; opinion with reserve and reasons; disapproval and reasons; unable to give an opinion and relevant barriers.

When a relevant matter is required to be disclosed, the Company shall have the independent non-executive director' opinions published, and in case of any dispute and failure to reach an agreement among the independent non-executive directors, the board of directors shall publish their opinions separately.

**Article 167** An independent non-executive director shall attend the board meeting as scheduled,



acquaint himself with the Company’s production and operation situation, actively investigate and obtain the information necessary for decision making. An annual report shall be submitted to the annual general meeting to report the work of all independent non-executive directors and introduce their duty performance.

The board of directors may request the general meeting to remove an independent non-executive director provided he fails to be present at the board meeting in person for 3 consecutive times.

**Article 168** The Company shall establish a working system of independent non-executive directors, and the secretary of the board shall actively facilitate independent non-executive directors to perform their duties. The Company shall ensure independent non-executive directors to have the same right of knowledge with other directors, timely provide them with relevant materials and information, regularly inform them of the corporate operation, and if necessary, organize them for on-site inspections.

**Article 169** An independent non-executive director shall have the same term of office with other directors, and may be re-elected upon the expiry of the term, but shall not serve for a consecutive period of more than 6 years. An independent non-executive director, before the expiry of his term, shall not be removed without a proper reason. Any removal prior the expiry of the term shall be disclosed as a special matter.

**Article 170** An independent non-executive director may resign his position before the expiry of his term provided that he submits a written resignation to the board of directors, and gives an account for any matters related to his resignation or requiring the attention of the Company’s shareholders and creditors.

In the event that the resignation of any independent non-executive director results in the number of directors or independent non-executive directors falling below the statutory requirement or the minimum number specified in the Articles of Association, the existing directors shall continue to perform their duties in accordance with laws, administrative regulations and the Articles of Association until the re-elected independent non-executive directors assume their office. The board of director shall convene a general meeting within two months to re-elect independent non-executive directors, and if a general meeting is not convened in the specified period of time, independent non-executive directors may stop performing their duties.

**CHAPTER 13: SECRETARY OF THE BOARD OF DIRECTORS**

**Article 171** The board of director shall have the secretary, who is a senior officer of the Company.

**Article 172** The secretary of the board shall be a natural person with the requisite professional knowledge and experience, and shall be appointed or removed by the board of directors. His duties mainly include:

- (1) to ensure that the Company have complete organization documents and records;
- (2) to ensure that the Company duly prepare and submit reports and documents required by the

competent authorities;

(3) to ensure the register of shareholders be properly maintained, and persons entitled to get relevant records and documents of the Company can timely get such records and documents;

(4) to urge the Company to observe relevant Chinese laws, regulations and rules formulated by the stock exchanges on which the Company's shares are listed;

(5) to handle relevant matters of the board of directors.

**Article 173** The Company shall establish and improve its investor relationship management policy, and through various means, actively strengthen the communication and exchange with shareholders and public shareholders in particular. The secretary of the board is responsible for the Company's investor relationship management.

**Article 174** A director or other senior officer of the Company may also act as the secretary of the board of directors. The certified public accountancy firm which has been appointed by the Company to act as its auditors shall not act as the secretary of the board.

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

#### **CHAPTER 14: COMPANY MANAGER**

**Article 175** The Company shall have 1 manager, who shall be appointed or removed by the board of directors.

**Article 176** The manager shall be accountable to the board of directors, and shall exercise the following powers:

(1) to take charge of the Company's production, operation and management, and to organize the implementation of the board resolutions;

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

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

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

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

(6) to propose the appoint or removal of deputy managers and financial officers of the Company;

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

(8) other powers conferred by the Articles of Association or the board of directors.

**Article 177** The manager shall be present at the board meeting, and the manager who is not a

director does not have any voting rights at board meetings.

**Article 178** The manager, deputy managers, financial officers and secretary of the board are senior officers of the Company.

A person holding a non-director position in a controlling shareholder or beneficial owner of the Company shall not be a senior officer of the Company.

**Article 179** The manager shall formulate detailed working rules and implement such rules upon the approval by the board of directors.

**Article 180** Working rules for the manager shall include the following information:

- (1) Conditions, procedures and attendees for the manager meeting;
- (2) respective powers and duties for the manager and other senior officers;
- (3) authority of using the Company's funds and assets and signing important contracts, and the reporting system to the board of directors and the supervisory committee;
- (4) other matters deemed necessary by the board of directors.

**Article 181** The manager may resign his position before the expiry of his term. Specific procedures and methods related to the manager's resignation shall be specified in the labor contract between the manager and the Company.

**Article 182** A senior officer shall be liable for compensation if he has violated laws, administrative regulations, departmental rules and the Articles of Association in the course of performing his duties and caused damages to the Company.

**Article 183** The manager shall faithfully and diligently perform his duties in accordance with laws, administrative regulations and the Articles of Association.

## **CHAPTER 15: SUPERVISORY COMMITTEE**

**Article 184** The Company shall have a supervisory committee, which consists of three supervisors. The supervisory committee shall have one chairman and two supervisors. Each supervisor shall serve for a term of three years, which is renewable upon re-election and re-appointment.

The election or removal of the chairman of the supervisory committee shall have the affirmative votes of two thirds or more of the members of the supervisory committee.

**Article 185** The supervisory committee comprises two thirds of shareholder representatives and one third of employee representatives. Shareholder representatives shall be elected and removed at the general meeting, while employee representatives shall be elected and removed by democratic election of employees.

The supervisory committee shall convene at least two meetings in a year, which shall be convened and presided over by the chairman of the supervisory committee. A notice shall be dispatched in person to all supervisors 14 days prior to the date of meeting.

The notice shall include the following information:

- (1) date, venue and duration of the meeting;
- (2) subject and topic of the meeting;
- (3) date on which the notice is dispatched.

Supervisors may propose to convene an extraordinary supervisory meeting.

**Article 186** Directors, managers or financial officers of the Company shall not assume the position as supervisors.

**Article 187** The supervisory committee shall be accountable to the general meeting, and shall exercise the following powers in accordance with law:

- (1) to review the Company's financial position;
- (2) to supervise the directors, manager, deputy managers, financial officers and other senior officers to ensure that they do not act in violation of any law, regulation or the Company's Articles of Association;
- (3) to demand any director, manager, deputy manager, financial officer or any other senior officer who acts in a manner which is harmful to the Company's interest to rectify such behavior;
- (4) to check the financial information such as the financial report, business report and plans for distribution of profits to be submitted by the board of directors to the general meetings and to authorize, in the Company's name, publicly certified accountants and practising auditors to assist in the re-examination of such information should any doubt arise in respect thereof;
- (5) to propose to convene an extraordinary general meeting;
- (6) to represent the Company in negotiations with or in bringing actions against a director;
- (7) other functions and powers specified in the Company's Articles of Association.

Supervisors shall be present at the board meetings.

**Article 188** Resolutions of the supervisory committee shall be passed by the affirmative votes of more than two thirds of all its members.

The supervisory committee may set up office(s) as is necessary for its supervision functions.

**Article 189** The method for conducting business for the Board of Supervisors shall be meeting and the matters deliberating at the meeting shall be minuted. In special circumstances, fax will be used and the procedure of conducting business shall be prepared as records, which should be signed by all supervisors attending the meeting.

**Article 190** The supervisory committee shall vote on a matter by show of hand.

**Article 191** The supervisory meeting shall have its own minutes and recorder. Supervisors and the recorder present at the meeting shall sign the minutes. Supervisors are entitled to require certain illustrative records in the minutes in respect of their speech at the meeting. The minutes of the supervisory meeting shall be deposited with the secretary of the board for record and be maintained for a period of no less than ten years.

**Article 192** To exercise its powers, the supervisory committee may retain lawyer and accountancy

firms when necessary, to provide professional assistance, the reasonable expenses for which shall be borne by the Company.

**Article 193** The supervisors shall faithfully perform their duties in accordance with laws, regulations and the Articles of Association.

#### **CHAPTER 16: QUALIFICATIONS AND DUTIES OF THE COMPANY'S DIRECTORS, SUPERVISORS, MANAGERS AND OTHER SENIOR OFFICERS**

**Article 194** A person may not serve as a director, supervisor, manager or any other senior officer of the Company if any of the following circumstances apply:

- (1) a person having no or limited capacity for civil conduct;
- (2) a person who has been sentenced for corruption, bribery, infringement or misappropriation of property or other crimes which disrupt the social economic order, or has been deprived of his political rights, with the completion of such punishments being less than five years ago;
- (3) a person who is a former director or manager of a company or an enterprise which has been dissolved or put into liquidation as a result of mismanagement, and is personally liable for the winding up of such company or enterprise, with completion of the bankruptcy liquidation being less than three years ago
- (4) a person who is a former legal representative of a company or an enterprise the business license of which was revoked due to violation of law and is personally liable therefor, with revocation of the business license being less than three years ago;
- (5) a person who has a relatively large amount of debts which have become overdue;
- (6) a person who is currently under investigation by judicial organs for violation of criminal law;
- (7) a person who, according to laws and administrative regulations, cannot act as a leader of an enterprise;
- (8) a person other than a natural person;
- (9) a person who has been convicted by the competent authority for violation of relevant securities regulations and fraudulent or dishonest actions, with the conviction being made less than five years ago.

**Article 195** The validity of an act carried out by a director, manager and other senior officers of the Company on behalf of the Company as against a bona fide third party, shall not be affected by any irregularity in his office, election or any defect in his qualification.

**Article 196** In addition to the obligations imposed by laws, administrative regulations or the listing rules of the stock exchange on which shares of the Company are listed, each of the Company's directors, supervisors, manager and other senior officers, in the exercise of the functions and powers entrusted to him

by the Company, owes the following duties to every shareholder:

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

**Article 197** If a director fails to attend the board meeting in person or by proxy, such director shall be deemed as failing to perform his duties, and the board of directors shall propose the general meeting to dismiss him. Independent non-executive directors shall be handled in accordance with relevant provisions of the Articles of Association.

If a supervisor fails to attend the supervisory meeting in person twice consecutively, such a supervisor shall be regarded as failing to carry out his duties and shall be dismissed at the general meeting or the meeting of employee representatives.

**Article 198** A director or supervisor may resign his position before the expiry of the term by submitting a written resignation to the board of directors or the supervisory committee respectively.

**Article 199** When the resignation of a director or supervisor results in the decreased number of directors or supervisors to the extent that is less than the minimum number specified by law, the resignation of such a director or a supervisor shall not become effective until the vacancy arising from his resignation is filled by a successor.

The remaining directors shall convene an extraordinary general meeting as soon as possible to elect directors and supervisors to fill the vacancy arising from such resignation. Before the general meeting resolves the election of directors and supervisors, powers of the resigning director or supervisor and remaining ones shall be properly restricted.

**Article 200** When a director or supervisor proposes to resign or his term expires, before or in a reasonable period after his resignation becomes affective, his obligations to the Company and the shareholders do not necessarily cease. The obligation of confidentiality in respect of trade secrets of the Company shall survive the termination of his position until such secret becomes public. Other duties may continue for such period as the principle of fairness may require, depending on the length of time which has lapsed between his departure and the act concerned and the circumstances and the terms under which the relationship between the relevant director, supervisor, manager and other senior officer on the one hand and the Company on the other hand was terminated.

**Article 201** Without a lawful authorization specified in the Articles of Association or from the board of directors, no director shall act for the Company or the board of directors in his own name. When a director acts in his own name and a third party has a reason to think this director is acting on behalf of the Company or the board of directors, such a director shall declare his position and capacity in advance.

**Article 202** Each of the Company's directors, supervisors, managers and other senior officers has a duty, in the exercise of his powers and in the discharge of his duties, to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

**Article 203** Each of the Company's directors, supervisors, managers and other senior officers shall exercise his powers or perform his duties in accordance with the fiduciary duty towards the Company; and shall not put himself in a position where his duty and his interest may conflict. This fiduciary duty includes (without limitation) discharging the following obligations:

- (1) to act honestly in the best interests of the Company;
- (2) to act within the scope of his powers and not to exceed such powers;
- (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 laws, administrative regulations or with the informed consent of shareholders given 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) unless otherwise provided for in the Company's Articles of Association or except with the informed consent of the shareholders given at a general meeting, not to enter into any contract, transaction or arrangement with the Company;
- (6) not to use the Company's property for his own benefit, without the informed consent of the shareholders given at a general meeting;
- (7) not to take advantage of his position to accept bribes or other illegal income or expropriate the Company's property in any way, including (but not limited to) opportunities which benefit the Company;
- (8) not to accept commissions in connection with the Company's transactions, without the informed consent of the shareholders given at a general meeting;
- (9) to comply with the Company's Articles of Association, to perform his official duties faithfully, to protect the Company's interests and not to take advantage of his position and power in the Company to advance his own interests;
- (10) not to compete with the Company in any way, save with the informed consent of the shareholders given at a general meeting;
- (11) not to misappropriate the Company's funds or to lend such funds to any other person, not to use the Company's assets to set up deposit accounts in his own name or in any other name or to use such

assets to guarantee the debts of a shareholder of the Company or any other personal liabilities;

(12) not to release any confidential information which he has obtained during his term of office, without the informed consent of the shareholders at a general meeting; nor shall he use such information otherwise than for the Company's benefit, save that disclosure of such information to the court or other governmental authorities is permitted if:

- a) law requires so;
- b) public interest so warrants;
- c) the interest of relevant director, supervisor, manager or other senior officer so requires.

**Article 204** Each director, supervisor, manager and other senior officer of the Company shall not direct the following persons or institutions ("associates") to act in a manner which such director, supervisor, manager and other senior officer himself is prohibited from so acting:

- (1) the spouse or minor child of the director, supervisor, manager or other senior officer;
- (2) the trustee of the director, supervisor, manager or other senior officer or of any person described in sub-paragraph (1) above;
- (3) the partner of that director, supervisor, manager or other senior officer or any person referred to in sub-paragraphs (1) and (2) of this Article;
- (4) a company in which that director, supervisor, manager or other senior officer, whether alone or jointly with one or more of the persons referred to in sub-paragraphs (1), (2) and (3) of this Article and other directors, supervisors, manager and other senior officers, has de facto controlling interest;
- (5) the directors, supervisors, managers and other senior officers of a company which is being controlled in the manner set out in sub-paragraph (4) above.

**Article 205** The fiduciary duties of the directors, supervisors, manager and other senior officers of the Company do not necessarily cease with the termination of their tenure. The duty of confidentiality in respect of trade secrets of the Company shall survive the termination of their tenure. Other duties may continue for such a period as the principle of fairness may require, depending on the length of time which has lapsed between the termination and the act concerned and the circumstances and the terms under which the relationship between the relevant director, supervisor, manager and other senior officer on the one hand and the Company on the other hand was terminated.

**Article 206** Subject to Article 59 hereof, a director, supervisor, manager or other senior officer of the Company may be relieved of liability for specific breaches of his duty with the informed consent of the shareholders given at a general meeting.

**Article 207** Where a director, supervisor, manager or other senior officer 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 his contract of service with the Company), he shall declare the nature and extent of his interests to the board of directors at the earliest



opportunity, whether or not the contract, transaction or arrangement or proposal therefore is otherwise subject to the approval of the board of directors.

Unless the interested director, supervisor, manager or other senior officer discloses his interests in accordance with the preceding subparagraph of this Article and he is not counted as part of the quorum and refrains from voting, such contract, transaction or arrangement is voidable at the instance of the Company except as against a bona fide party thereto who does not have notice of the breach of duty by the interested director, supervisor, manager or other senior officer.

A director, supervisor, manager or other senior officer of the Company is deemed to be interested in a contract, transaction or arrangement in which his associate is interested.

**Article 208** Where a director, supervisor, manager or other senior officer of the Company gives to the board of directors a notice in writing stating that, by reason of the facts specified in the notice, he is interested in contracts, transactions or arrangements which may subsequently be made by the Company, that notice shall be deemed for the purposes of the preceding Article to be a sufficient declaration of his interests, so far as the content stated in such notice is concerned, provided that such notice shall have been given before the date on which the question of entering into the relevant contract, transaction or arrangement is first taken into consideration by the Company.

**Article 209** The Company shall not pay taxes for or on behalf of a director, supervisor, manager or other senior officer in any manner.

**Article 210** The Company shall not directly or indirectly offer a loan to or provide any guarantee in connection with the offering of a loan to a director, supervisor, manager or other senior officer of the Company or of the Company's holding company or any of their respective associates.

The foregoing prohibition shall not apply to the following circumstances:

(1) the provision by the Company of a loan or a loan guarantee to its subsidiary;

(2) the provision by the Company of a loan or a loan guarantee or any other funds to any of its directors, supervisors, manager and other senior officers to meet expenditure incurred or to be incurred by him for the purposes of the Company or for the purpose of enabling him to perform his duties properly, in accordance with the terms of a service contract approved by the general meeting;

(3) if the ordinary course of business of the Company includes the lending of money or the giving of guarantees, the Company may offer a loan to or provide a guarantee to any of the relevant directors, supervisors, manager and other senior officers or their respective associates in the ordinary course of its business and on normal commercial terms.

**Article 211** Any person who receives funds from a loan which has been made by the Company in breach of the preceding Article shall, irrespective of the terms of the loan, forthwith repay such funds.

**Article 212** A loan guarantee provided by the Company in breach of Article 210(1) shall not be enforceable against the Company, save in respect of the following circumstances:

(1) the guarantee was provided in connection with a loan which was offered to an associate of any of the directors, supervisors, manager and other senior officers of the Company or of the Company's holding company, and the lender of such funds did not know of the relevant circumstances at the time of the offering of the loan; or

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

**Article 213** For the purposes of the foregoing provisions of this Chapter, a "guarantee" includes an undertaking or property provided to secure the obligor's performance of his obligations.

**Article 214** In addition to any rights and remedies provided by the laws and administrative regulations, where a director, supervisor, manager or other senior officer of the Company breaches the duties which he owes to the Company, the Company has a right:

(1) to demand such director, supervisor, manager or other senior officer to compensate it for losses sustained by the Company as a result of such breach;

(2) to rescind any contract or transaction which has been entered into between the Company and such a director, supervisor, manager or other senior officer or between the Company and a third party (where such third party knows or should have known that such a director, supervisor, manager other senior officer representing the Company has breached his duties owed to the Company);

(3) to demand such a director, supervisor, manager or other senior officer to account for profits made as result of the breach of his duties;

(4) to recover any money which should have been received by the Company and which were received by such a director, supervisor, manager or other senior officer instead, including (but not limited to) commissions; and

(5) to demand repayment of interest earned or which may have been earned by such a director, supervisor, manager or other senior officer on monies that should have been paid to the Company.

**Article 215** The Company shall, with the prior approval of the general meeting, enter into a contract in writing with a director or supervisor wherein his emoluments are stipulated. The aforesaid emoluments may include:

(1) emoluments in respect of his service as director, supervisor or senior officer of the Company;

(2) emoluments in respect of his service as director, supervisor or senior officer of any subsidiary of the Company;

(3) emoluments in respect of the provision of other services in connection with the management of the affairs of the Company and any of its subsidiaries;

(4) payment by way of compensation for loss of office, or as consideration for or in connection with his retirement from office.

No proceedings may be brought by a director or supervisor against the Company for anything due to him in respect of the matters mentioned in this Article except pursuant to the contract mentioned above.

**Article 216** The contract concerning the emoluments between the Company and its directors or supervisors should provide that in the event that the Company is acquired, the Company's directors and supervisors shall, subject to the prior approval of the general meeting, have the right to receive compensation or other payment in respect of his loss of office or retirement. For the purposes of this paragraph, the acquisition of the Company includes any of the following:

- (1) an offer made by any person to the general body of shareholders;
- (2) an offer made by any person with a view to the offer or becoming a "controlling shareholder" within the meaning of Article 60 hereof.

If the relevant director or supervisor does not comply with this Article, any sum so received by him shall belong to those persons who have sold their shares as a result of such offer. The expenses incurred in distributing such sum on a pro rata basis amongst such persons shall be borne by the relevant director or supervisor and shall not be paid out of such sum.

## **CHAPTER 17: FINANCIAL AND ACCOUNTING SYSTEMS AND PROFIT DISTRIBUTION AND AUDITING**

**Article 217** The company shall establish its financial and accounting systems in accordance with laws, administrative regulations and PRC accounting standards formulated by the financial regulatory department of the State Council.

**Article 218** The Company shall submit its annual financial reports to China Securities Regulatory Commission and the stock exchange(s) within 4 months from the ending date of each financial year, its interim financial reports to the local office of China Securities Regulatory Commission and the stock exchange(s) within 2 months from the ending date of the first 6 months of each financial year, and the quarterly reports to the local office of China Securities Regulatory Commission and the stock exchange(s) within 1 month from the ending dates of the first 3 and first 9 months of each financial year respectively.

The aforementioned financial reports shall be prepared in accordance with relevant laws, administrative regulations as well as the departmental rules.

**Article 219** At the end of each fiscal year, the Company shall prepare a financial report which shall be examined and verified in a manner prescribed by law.

**Article 220** The board of directors of the Company shall place before the shareholders at every annual general meeting such financial reports which the relevant laws, administrative regulations and directives promulgated by competent regional and central governmental authorities require the Company to prepare.

**Article 221** The Company's financial reports shall be made available for shareholders' inspection

at the Company at least 20 days before the date of every annual general meeting. Each shareholder shall be entitled to obtain a copy of the financial reports referred to in this Chapter.

The Company shall deliver or send to each holder of overseas-listed foreign-invested shares by prepaid mail at the address registered in the register of shareholders the said reports no later than 21 days before the date of every annual general meeting.

**Article 222** The financial statements of the Company shall, in addition to being prepared in accordance with 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 a difference shall be stated in the financial statements. In distributing its after-tax profits, the lower of the two amounts shown in the financial statements shall be adopted.

**Article 223** Any interim results or financial information published or disclosed by the Company must also be prepared and presented in accordance with PRC accounting standards and regulations, and also in accordance with either international accounting standards or that of the overseas place where the Company's shares are listed.

**Article 224** The Company shall publish its financial reports twice every fiscal year, that is, the interim financial report shall be published within sixty days after the expiration of the first six months of each fiscal year; the annual financial report shall be published within one hundred and twenty days after the expiration of each fiscal year.

**Article 225** The Company shall not keep accounts other than those required by law.

**Article 226** In distributing the current year's profit after taxation, 10% of the profit shall be allocated into the Company's statutory reserve fund. When the aggregate amount of the statutory surplus reserve has reached 50% of the Company's registered capital, further appropriations is not required.

When the statutory surplus reserve of the Company is not sufficient to cover its losses incurred in the previous years, the profit of the current year shall be used to make up for such losses before allocations are made to the statutory surplus reserve in accordance with the preceding paragraph.

After the Company has allocated statutory surplus reserve from its profit after taxation, it may also appropriate discretionary reserve fund from the profit after taxation upon approval of a general meeting.

The remaining profit after taxation after recovery of losses and appropriation of reserve fund shall be distributed to shareholders in proportion of their shareholdings unless it is stipulated in the Articles of Association that no profit distribution shall be made in accordance with shareholdings.

If the general meeting has, in violation of the preceding paragraph, distributed profit to shareholders before the Company has covered the losses and allocated statutory surplus reserve, the shareholders shall return to the Company the profit distributed in violation of regulations.

No profit shall be distributed in respect of the shares held by the Company.

**Article 227** The reserve fund of the Company is used for recovery of losses and expansion of operations or is transferred to capital. However, capital reserve shall not be used for recovery of the Company's losses.

For transfer of statutory surplus reserve into capital, the retained statutory surplus reserve shall not be less than 25% of the Company's registered capital before its increment through the transfer.

**Article 228** After the profit distribution plan has been resolved at the general meeting, the board of directors shall complete the dividend (or share) distribution within 2 months after the holding of the general meeting.

**Article 229** The capital surplus fund includes the following items:

- (1) Premium on shares issued at a premium price;
- (2) Any other income designated for the capital surplus fund by the regulations of the finance regulatory department of the State Council.

**Article 230** The company may distribute dividends in the form of:

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

**Article 231** The Company's profit distributions shall take into account proper returns to the investors. The profit distribution plan prepared by the board of directors shall specify that cash distribution shall not be less than 30% of the distributable profit of the current year. When no such a cash distribution plan is prepared, the board of directors shall disclose reasons in a regular report, and independent non-executive directors shall provide an independent opinion on this matter.

When any shareholder violates relevant provisions and misappropriates the funds of the Company, the Company shall withhold his cash dividends to pay off the misappropriated amount.

**Article 232** The Company shall appoint receiving agents for holders of overseas-listed foreign-invested shares. Such receiving agents shall receive dividends which have been declared by the Company and all other amounts which the Company should pay to holders of overseas-listed foreign-invested shares on such shareholders' behalf.

The receiving agents appointed by the Company shall meet the relevant requirements of the laws of the place at which the stock exchange on which the Company's shares are listed or the relevant regulations of such a stock exchange. The receiving agents appointed for holders of overseas-listed foreign-invested shares listed in Hong Kong shall each be a company registered as a trust company under the *Trustee Ordinance* of Hong Kong.

**Article 233** The Company shall establish the internal auditing and provide full-time auditing personnel to audit and supervise its accounting and economic activities.

**Article 234** The internal auditing policy and auditor's duties shall be approved by the board of

directors, and auditing officers are accountable and report work to the board of directors.

## **CHAPTER 18: APPOINTMENT OF ACCOUNTANCY FIRM**

**Article 235** The Company shall appoint an independent accountancy firm which is qualified under the relevant regulations of the State to audit the Company's annual report and review the Company's other financial reports.

The first accountancy firm of the Company may be appointed before the first annual general meeting of the Company at the inaugural meeting. Accountancy firm so appointed shall hold office until the conclusion of the first annual general meeting.

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

**Article 236** The accountancy firm appointed by the Company shall be the Company's auditors from the conclusion of the annual general meeting of shareholders at which they were appointed until the conclusion of the next annual general meeting.

**Article 237** The accountancy firm appointed by the Company shall enjoy the following rights:

- (1) a right to review to the books, records and vouchers of the Company at any time, the right to require the directors, manager and other senior officers of the Company to supply relevant information and explanations;
- (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 discharge of its duties;
- (3) a right to attend general meetings and to receive all notices of, and other communications relating to, any general meeting which any shareholder is entitled to receive, and to speak at any general meeting in relation to matters concerning its role as the Company's accountancy firm.

**Article 238** If there is a vacancy in the position of accountant of the Company, the board of directors may entrust an accountancy firm to fill such vacancy before the convening of the shareholders' general meeting. Any other accountancy firm which has been appointed by the Company may continue to act during the period during which a vacancy arises.

**Article 239** A general meeting may, by ordinary resolution, remove the Company's accountancy firms before the expiration of its term of office, irrespective of the provisions in the contract between the Company and the Company's accountancy firm. However, the accountancy firm's right to claim for damages which arise from its removal shall not be affected thereby.

**Article 240** The remuneration of an accountancy firm or the manner in which such firm is to be

remunerated shall be determined by a general meeting. Notwithstanding the foregoing, the remuneration of an accountancy firm appointed by the board of directors shall be determined by the board of directors.

**Article 241** The Company's appointment, removal or non-reappointment of an accountancy firm shall be resolved by a general meeting. Such resolution shall be filed with the securities authority of the State Council.

Where a resolution at a general meeting is passed to appoint as accountant a person other than an incumbent accountancy firm to fill a casual vacancy in the office of accountant, to reappoint as accountant a retiring accountancy firm that was appointed by the board of directors to fill a casual vacancy, or to dismiss an accountancy firm before the expiration of its term of office, the following provisions shall apply:

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

(2) If the accountancy firm leaving its post makes representations in writing and requests the Company to give the shareholders notice of such representations, the Company shall (unless the representations have been received too late) take the following measures:

- a) in any notice of the resolution given to shareholders, state the fact of the representations having been made; and
- b) attach a copy of the representations to the notice and deliver it to the shareholders in the manner stipulated in the Company's Articles of Association.

(3) If the Company fails to send out the accountancy firm's representations in the manner set out in sub-paragraph (2) above, such accountancy firm may require that the representations be read out at the meeting.

(4) An accountancy firm which is leaving its post shall be entitled to attend the following general meetings:

- a) the general meeting at which its term of office would otherwise have expired;
- b) the general meeting at which it is proposed to fill the vacancy caused by its removal; and
- c) the general meeting which convened as a result of its resignation,

and to receive all notices of, and other communications relating to, any such meeting, and to speak at any such meeting which concerns it as former auditor of the Company.

**Article 242.** Prior notice should be given to the accountancy firm if the Company decides to remove such accountancy firm or not to renew the appointment thereof. Such accountancy firm shall be entitled to make representations at the general meeting. Where the accountancy firm resigns from its position, it shall make clear to the general meeting whether there has been any impropriety on the part of the Company.

An accountancy firm may resign its office by depositing at the Company's legal address a resignation

notice which shall become effective on the date of such deposit or on such later date as may be stipulated in such notice. Such notice shall contain the following statements:

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

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

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

#### **CHAPTER 19: LABOR MANAGEMENT**

**Article 243.** The Company shall formulate and implement policies with respect to labor management, personnel management, wage, welfare and social insurance in accordance with the *Labor Law of the People's Republic of China* and other relevant laws, regulations and administrative provisions.

#### **CHAPTER 20: LABOR UNION**

**Article 244.** Employees of the Company shall have the right to participate in the labor union, and to carry out activities in an independent and voluntary manner.

The Company shall provide the labor union with necessary conditions.

**Article 245.** The Company shall provide funds on a monthly basis to be used by its trade union in accordance with relevant provisions promulgated by All-China Federation of Trade Unions.

#### **CHAPTER 21: MERGER AND DIVISION OF THE COMPANY**

**Article 246.** In the event of the merger or division of the Company, a plan shall be presented by the Company's board of directors and shall be approved in accordance with the procedures stipulated in the Company's Articles of Association. The Company shall then go through the relevant approval process. A shareholder who objects to the plan of merger or division shall have the right to demand the Company or the shareholders who consent to the plan of merger or division to acquire such dissenting shareholders' shareholding at a fair price. The contents of the resolution of merger or division of the Company shall constitute special documents which shall be available for inspection by the shareholders of the Company.



The aforesaid documents shall be sent by mail to holders of overseas-listed foreign-invested shares listed in Hong Kong.

**Article 247.** 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 merging parties shall execute a merger agreement and prepare a balance sheet and an inventory of assets. The Company shall notify its creditors within ten days of the date of the Company's merger resolution and shall publish a public notice in a newspaper at least three times within thirty days of the date of the Company's merger resolution.

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

**Article 248.** Where there is a division of the Company, its assets shall be divided up accordingly.

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

Debts of the Company prior to division shall be assumed by the companies which exist after the division in accordance with the agreement of the parties.

**Article 249.** Creditors are entitled to claim full payment of the Company's debts or require the provision of appropriate guarantees within 30 days of receipt of the notice, or within 90 days of publication of the first notice if such creditors did not receive the notice. The company may not be merged or divided unless debts are fully paid or appropriate guarantees are provided.

**Article 250.** The Company shall, in accordance with law, apply for change in its registration with the company registration authority where a change in any item in its registration arises as a result of any merger or division. Where the Company is dissolved, the Company shall apply for cancellation of its registration in accordance with law. Where a new company is established, the Company shall apply for registration thereof in accordance with law.

## **CHAPTER 22: DISSOLUTION AND LIQUIDATION**

**Article 251.** The Company shall be dissolved and liquidated upon the occurrence of any of the following events :

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

regulations.

**Article 252.** A liquidation committee shall be set up within fifteen days of the Company being dissolved pursuant to sub-paragraph (1) of the preceding Article, and the composition of the liquidation committee of the Company shall be determined by an ordinary resolution at a general meeting.

Where the Company is dissolved under sub-paragraph (3) of the preceding Article, the people's court shall, in accordance with the provisions of relevant laws, organize the shareholders, relevant organizations and professional personnel to establish a liquidation committee to carry out the liquidation.

Where the Company is dissolved under sub-paragraph (4) of the preceding Article, the relevant competent authorities shall organize the shareholders, relevant organizations and professional personnel to establish a liquidation committee to carry out the liquidation.

**Article 253.** Where the board of directors proposes to liquidate the Company for any reason other than the Company's declaration of its own insolvency, the board shall include a statement in its notice of convening a shareholders' general meeting to consider the proposal to the effect that, after making full inquiry into the affairs of the Company, the board of directors is of the opinion that the Company will be able to pay its debts in full within twelve months from the commencement of the liquidation.

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

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

**Article 254.** The liquidation committee shall, within ten days of its establishment, send notices to creditors and shall, within sixty days of its establishment, publish a public announcement in a newspaper at least three times, and register the creditors' rights.

**Article 255.** During the liquidation, the liquidation committee shall exercise the following functions and powers:

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

**Article 256.** After it has sorted out the Company's assets and after it has prepared the balance sheet

and an inventory of assets, the liquidation committee shall formulate a liquidation plan and present it to a general meeting or to the relevant governing authority for confirmation.

The Company's assets shall be distributed in accordance with the following sequence:

- (1) liquidation expenses;
- (2) salaries and labor insurance expenses of employees of the Company for three years as from the date of liquidation;
- (3) outstanding taxes;
- (4) debts of the Company.

Any surplus assets of the Company remaining after payment referred to in the preceding paragraph shall be distributed to its shareholders according to the class of shares and the proportion of shares held.

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

**Article 257.** If, after putting the Company's assets in order and preparing a balance sheet and an inventory of assets in connection with the liquidation of the Company, the liquidation committee discovers that the Company's assets are insufficient to repay the Company's debts in full, the liquidation committee shall immediately apply to the people's court for a declaration of insolvency.

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

**Article 258.** Following the completion of the liquidation, the liquidation committee shall prepare a liquidation report, a statement of income and expenses received and made during the liquidation period and a financial report, which shall be verified by a Chinese certified accountant and submitted to the general meeting or the relevant governing authority for confirmation.

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

**Article 259.** Members of the liquidation committee shall perform their duties in a faithful and lawful manner, not take advantage of their powers to accept bribery or other illegal income, and not misappropriate the Company's property.

A member of the liquidation committee who causes losses to the Company or its creditors due to intentional misconduct or gross negligence shall be liable for compensation.

## **CHAPTER 23: PROCEDURES FOR AMENDMENT OF THE COMPANY'S ARTICLES OF ASSOCIATION**

**Article 260.** The Company may amend the Articles of Association in accordance with laws, administrative regulations and the Company's Articles of Association.

In any of the following circumstances, the Company shall amend the Articles of Association:

- (1) when any provisions of the Articles of Association contradict with the revised *Company Law* or other relevant laws and administrative regulations;
- (2) when the Company's situation changes and is inconsistent with the statement in the Articles of Association;
- (3) when the general meeting decides to amend the Articles of Association.

**Article 261.** Amendment of the Company's Articles of Association which involve the contents of the Mandatory Provisions shall become effective upon receipt of approvals from the company approving department authorized by the State Council and the securities committee of the State Council. Where amendments involve the registered particulars of the Company, procedures for change of registration shall be handled in accordance with the law.

**Article 262.** The board of directors shall amend the Articles of Association in accordance with the amendment resolution adopted by the general meeting and approval of the competent authorities.

#### **CHAPTER 24: DISPUTE RESOLUTION**

**Article 263.** The Company shall observe the following principles for dispute resolution:

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

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

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

- (2) Arbitration shall be carried out either at China International Economic and Trade Arbitration Commission in accordance with its Rules or Hong Kong International Arbitration Centre in accordance with its Securities Arbitration Rules. Once a claimant submits a dispute or claim to arbitration, the other party must submit to the arbitral body elected by the claimant.

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) The laws of the PRC shall apply to these Articles of Association, save as otherwise provided in the laws and administrative regulations.

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

**Article 264.** Amendments to the Articles of Association are subject to compulsory disclosure, and shall be announced in accordance with relevant laws and regulations.

**Article 265.** When a notice is sent by personal delivery, the receiver shall sign (or affix the seal to) the acknowledgement of receipt, and the date of his signature will be the date of delivery; when a notice is dispatched by mail, it will be deemed to be having delivered upon giving it to the postal office; when a notice is made by a public announcement, it will be deemed to be having delivered on the date of the publication of the first announcement.

**Article 266.** The accidental omission to give notice of a meeting to, or the failure to receive the notice of a meeting by, any person entitled to receive such notice shall not invalidate the meeting and the resolutions adopted thereat.

**Article 267.** The Company discloses information on press designated by the China Securities Regulatory Commission, and <http://www.sse.com.cn> and <http://www.hkexnews.hk> as the websites for information disclosure.

## CHAPTER 25: SUPPLEMENTARY

**Article 268.** These Articles of Association are written in Chinese and then translated into English, and in case of any discrepancy, the Chinese version shall prevail.

Chinese shall be taken as a working language for all General meetings, board meetings and supervisory meetings

**Article 269.** Rules of procedures for general meeting, board meeting and supervisory meeting of the Company shall constitute appendixes of the Articles of Association.

**Article 270.** In these Articles of Association, the following expressions shall have the following meanings unless the context otherwise requires:

“the Articles of Association”, “the Company’s Articles of Association”	the articles of association of the Company
“Board”	the board of directors of the Company
“Chairman of the board”, “chairman of the board of the Company”	Chairman of the board of directors of the Company
“Director(s)”	Director(s) of the Company
“Ordinary shares”	Any domestic-invested shares or overseas-listed

“Residence or legal address of the Company”	foreign-invested shares listed in Hong Kong Rm 901, Jingcheng Holding Mansion, No. 59 Dongsanhuan Road Central, Chaoyang District, Beijing, the PRC
“Renminbi”	Legal currency of the PRC
“Secretary of the board”	the secretary appointed by the board of directors of the Company
“China” or “the State”	People’s Republic of China

In these Articles of Association, accountancy firm shall have the same meaning as “auditor”.