

**Red Star Macalline Group Corporation Ltd.**

**Articles of Association**

**Shanghai, China**

**Approved at the Fourth Extraordinary General Meeting 2015 of  
Red Star Macalline Group Corporation Ltd. on 5 March 2015**

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# Red Star Macalline Group Corporation Ltd.

## Articles of Association

### Chapter 1 General Provisions

**Article 1** The Articles of Association are formulated pursuant to *Company Law of the People's Republic of China* (“*Company Law*”), *Securities Law of the People's Republic of China* (“*Securities Law*”), *Special Provisions of the State Council Concerning the Floatation and Listing Abroad of Stocks by Limited Stock Companies* (“*Special Provisions*”), *Mandatory Provisions for the Articles of Association of Companies to Be Listed Overseas* (“*Mandatory Provisions*”), *Letter of Opinions on Supplementary Amendment to Articles of Association of Companies to Be Listed in Hong Kong* (“*Letter of Opinions*”), *Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited* (“*Listing Rules*” or *Listing Rules*) and other relevant regulations, in order to protect the legitimate rights and interests of Red Star Macalline Group Corporation Ltd. (“*Company*” or “*the Company*”) and shareholders and creditors thereof and regulate the organization and behavior of the Company.

**Article 2** The Company is incorporated as a joint stock limited company in accordance with the *Company Law*, *Special Provisions* and other relevant PRC laws and administrative regulations.

With the approval of the Ministry of Commerce as shown in its document (Shang Zi Pi [2010] No. 1266), the Company was established by means of promotion on 6 January 2011 and obtained the business license of the Company following registration with the Shanghai Administration for Industry & Commerce on 6 January 2011, with the business license number of 310115001019076.

The promoters of the Company are: Shanghai Red Star Macalline Investment Company Limited, Springwood Investment SRL, Candlewood Investment SRL, Beijing Ruibang Beite Entrepreneur Investment Center (Limited Partnership), WHWH Group Company Limited, Beijing Yaxiang Xingtai Investment Company Limited, Tianjin Jinkai Equity Investment Fund Partnership (Limited Partnership), Lianyungang Fairbay Infrastructure Construction Company Limited, Mianyang Science and Technology Park Industry Fund (Limited Partnership), Beijing Bainian Decheng Entrepreneur Investment Center (Limited Partnership), Shanghai Yinping Investment Management Company Limited, Shanghai Junyi Investment Consultancy Company Limited, Shanghai Ping'an Pharmacy Company Limited, Nantong Qianjun Construction Material Company Limited, Shanghai Meilong Assets Management Company Limited, Shanghai Xingkai Business Administration Company Limited and Shanghai Hongmei Investment Management Company Limited.

**Article 3** Name of the Company in Chinese: 紅星美凱龍家居集團股份有限公司 Registered name of the Company in English: Red Star Macalline Group Corporation Ltd.

**Article 4** Domicile of the Company: Room F801, 6/F, 518 Linyu Road, Pudong New Area, Shanghai, China  
Tel. No.: 021-52820220  
Fax No.: 021-52820272  
Postal code: 201204

**Article 5** The chairman of the Board is the legal representative of the Company.

**Article 6** The Company is a joint stock limited company having perpetual existence.

The Company is an independent corporate legal person, which has independent property of a legal person and enjoys the property rights of a legal person.

The assets of the Company are divided into equal shares. The shareholders of the Company shall bear liability for the Company to the extent of the shares they hold, and the Company shall bear liability for the debts of the Company with its entire assets.

**Article 7** After adoption by special resolution on the general meeting of the Company and approval of the relevant authorities of the state, the Articles of Association shall take effect as from the date on which the overseas listed foreign shares issued by the Company are listed on the Stock Exchange of Hong Kong Limited (“the Hong Kong Stock Exchange”) and shall replace the articles of association formerly registered by the Company with the competent industrial and commercial administration authority.

From the date on which the Articles of Association came into effect, the Articles of Association constitutes a legally binding public document regulating the organization and behaviour of the Company, as well as the rights and obligations shared between the Company and its shareholders and among the shareholders.

**Article 8** The Articles of Association shall be binding upon the Company and its shareholders, directors, supervisors, general manager (CEO) and other senior executives, all of whom may, according to the Articles of Association, assert rights in respect of the Company’s affairs.

Pursuant to the Articles of Association, the shareholders may pursue actions against the Company, other shareholders and the Company’s directors, supervisors, general manager (CEO) and other senior executives; pursuant to the Articles of Association, the Company may pursue actions against the shareholders.

The actions, as referred to in the preceding paragraph, include the instituting of legal proceedings with a court or filing with an arbitral authority for arbitration.

“Other senior executives” mentioned in this Article include deputy general manager, secretary of the Board, chief financial officer and other persons appointed by the Board as senior executives of the Company.

**Article 9** The Company may invest in other limited liability companies or joint stock limited companies and shall be held responsible for the invested companies within the limitation of the amount of the Company's capital contribution. Unless otherwise specified by laws, the Company shall not be the capital contributor bearing joint liability associated with the debts of the invested enterprises.

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

**Article 10** Business objective of the Company is to: Provide client-oriented innovative home building materials logistics services and products in the principle of business integrity and quality first and in accordance with the laws and administrative regulations of the state, so as to seek satisfactory returns for shareholders.

**Article 11** The business scope of the Company shall be as approved by the company examination and approval authority and industrial and commercial administration authority.

The business scope of the Company is: Providing the invested enterprises with management service, enterprise management consulting and product information consulting; providing the business stores with design planning and management services, wholesale of furniture, building materials (steel exclusive) and decoration materials, and relevant supporting services. (products involving quota license or special management provisions shall be subject to relevant state regulations) (with license if required).

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

**Article 12** The Company shall have ordinary shares at all times; the ordinary shares issued by the Company include domestic shares and foreign shares. With the approval of the company examination and approval authority authorized by the State Council, the Company may have other forms of shares according to relevant laws and administrative regulations when needed.

**Article 13** The Company shall issue shares in a fair and just manner, and each share of the same category shall have the same right.

All shares of the same category issued at the same time shall be issued under the same conditions and at the same price; any entity or individual shall pay the same price for each share.

**Article 14** The stock of the Company shall take the form of shares. All shares issued by the Company shall have par values, with each share having a par value of RMB1.

RMB referred to in the preceding paragraph refers to the statutory currency of the PRC.

**Article 15** The Company may offer its shares to both domestic and foreign investors with the approval of the relevant securities regulatory authority under the State Council.

Foreign investors referred to in the preceding paragraph shall mean those investors in foreign countries, Hong Kong, Macau or Taiwan who subscribe for shares of the Company. Domestic investors shall mean those investors in the PRC, excluding the aforementioned regions, who subscribe for shares of the Company.

**Article 16** Shares that the Company issues to domestic investors for subscription in RMB shall be known as domestic shares. Shares that the Company issues to foreign investors for subscription in foreign currencies shall be known as foreign shares. Foreign shares offered and listed overseas shall be called overseas listed foreign shares. The overseas listed foreign shares offered by the Company on the Hong Kong Stock Exchange shall be called H shares, i.e. shares which have been admitted for listing on the Hong Kong Stock Exchange, the par value of which is denominated in RMB and which are subscribed for and traded in Hong Kong dollars.

Foreign currency referred to in the preceding paragraph refers to the statutory currency, other than RMB, of another country or region, which is recognized by the foreign exchange authority of the state and can be used to pay the Company for the shares.

Both holders of domestic shares and holders of foreign shares are ordinary shareholders and shall have the same rights and obligations.

Shareholders of the Company may list the unlisted shares they hold on an overseas stock exchange upon approval by the securities regulatory authority under the State Council. Listing of the aforesaid shares on an overseas stock exchange shall also comply with the regulatory procedure, regulations and requirements of the overseas securities market. Listing of the aforesaid shares on an overseas stock exchange does not need resolution through voting at a class general meeting.

**Article 17** The total number of ordinary shares issued by the Company upon approval at the time of the Company's incorporation is 3,000,000,000, all of which have been subscribed by the promoters at the time of the Company's incorporation.

**Article 18**

Before the initial public offering of overseas listed foreign shares of the Company, the Company's share capital is RMB3,080,329,038, the total number of shares is 3,080,329,038, which are all ordinary shares, and the equity structure is:

<b>SN</b>	<b>Promoter</b>	<b>Amount of shares held (share)</b>	<b>Shareholding percentage (%)</b>
1.	Shanghai Red Star Macalline Investment Company Limited	2,480,315,772	80.52
2.	Candlewood Investment SRL	338,054,924	10.97
3.	Springwood Investment SRL	181,170,145	5.88
4.	Shanghai Ping'an Pharmacy Company Limited	3,688,206	0.12
5.	Shanghai Jinghai Assets Management Center (Limited Partnership)	56,849,998	1.85
6.	Shanghai Kaixing Business Administration Center (Limited Partnership)	7,589,999	0.25
7.	Shanghai Hongmei Investment Management Center (Limited Partnership)	12,659,994	0.41
<b>Total</b>		<b>3,080,329,038</b>	<b>100</b>

Upon completion of the initial public offering of overseas listed foreign shares, assuming the Over-allotment Option is not exercised, the equity structure of the Company shall be as follows: there are 3,623,917,038 ordinary shares, including 2,561,103,969 domestic shares and 1,062,813,069 H shares; and assuming the Over-allotment Option is fully exercised, the equity structure of the Company shall be as follows: there are 3,705,455,238 ordinary shares, including 2,561,103,969 domestic shares and 1,144,351,269 H shares.

**Article 19**

The Board of the Company may make arrangement for the Company's separate issuance of overseas listed foreign shares and domestic shares according to the issue scheme approved by the securities regulatory authority under the State Council.

According to the aforesaid scheme for separate issuance of overseas listed foreign shares and domestic shares, the Company may issue the shares separately within 15 months after approval of the securities regulatory authority under the State Council.

**Article 20**

If the Company separately issues overseas listed foreign shares and domestic shares within the total number specified in the issue scheme, the said shares shall be issued respectively at one time; if it is impossible for the shares to be issued at one time for special reasons, the shares may be issued by several times upon approval by the securities regulatory authorities of the State Council.

## **Chapter 4 Increase, Decrease and Buyback of Shares**

**Article 21** The Company may increase capital based on the needs of operation and development and in accordance with the Articles of Association.

The Company may increase its capital by:

- (I) Offer of new shares to unspecified investors;
- (II) Offer of new shares to specified investors;
- (III) Placement or offer of new shares to existing shareholders;
- (IV) Conversion of capital reserve into share capital; or
- (V) Other means stipulated by laws and administrative regulations and approved by the securities authority under the State Council.

Issuance of new shares by the Company shall be subject to approval as specified in the Articles of Association and follow the procedure specified in the relevant laws and administrative regulations of the state and the place of listing for the shares of the Company.

**Article 22** The Company may decrease its registered capital in accordance with the Articles of Association. The Company shall decrease its registered capital pursuant to the *Company Law*, other relevant regulations and the Articles of Association.

**Article 23** The Company shall prepare a balance sheet and a list of property inventory when decreasing its registered capital.

The Company shall notify all creditors within 10 days after adoption of the resolution to decrease the registered capital and shall make announcements in newspapers within 30 days. The creditors shall have the right to require the Company to repay debts or provide corresponding guarantees for debt repayment within 30 days after receipt of the notice or within 45 days after the announcement if the creditors haven't received the notice.

The Company's registered capital shall not, upon the decrease of capital, be less than the statutory minimum limit.

**Article 24** The Company may, in the following circumstances, buy back its outstanding shares following the legal procedure specified in the Articles of Association and with approval from the regulatory authority of the state:

- (I) When cancelling shares for decrease of the registered capital of the Company;
- (II) When merging with other companies holding shares of the Company;
- (III) When awarding shares to employees of the Company;
- (IV) When shareholders objecting to resolutions of the general meeting concerning merger or division of the Company require the Company to buy their shares; or
- (V) In other circumstances stipulated by laws and administrative regulations.

**Article 25** The Company may buy back its shares in any of the following ways upon approval by the regulatory authority of the state:

- (I) Issuing a buyback offer to all shareholders according to an equal percentage;
- (II) Buying back through open transaction in the stock exchange;
- (III) Buying back through agreement outside the stock exchange; or
- (IV) Other circumstances stipulated by laws and administrative regulations.

**Article 26** In buying back shares through agreement outside the stock exchange, the Company shall seek prior approval at a general meeting in accordance with the Articles of Association. With prior approval at the general meeting in the same way, the Company may cancel or change the contract already concluded in the aforesaid manner or waive any right under the contract.

The share buyback contract mentioned in the preceding paragraph includes (but is not limited to) agreement to undertake share buyback obligations and obtain share buyback rights.

The Company shall not transfer the share buyback contract or any right thereunder.

As far as the Company's right to repurchase the redeemable shares is concerned, the price shall not exceed certain upper limit if such shares are not repurchased in the market or by bidding; whereas in the event of repurchase by bidding, relative bids must be equally issued to all its shareholders.

**Article 27** After buying back its shares according to the laws, the Company shall cancel or transfer the said shares before the deadline specified by laws and administrative regulations, and register the change of the registered capital with the original company registration authority if the shares are cancelled. Buyback of the Company's shares for reasons set out in (I) to (III) of Article 24 of the Articles of Association shall be subject to resolution at a general meeting. After the Company has bought back its shares in accordance with Article 24 of the Articles of Association, such shares shall be cancelled within 10 days after buyback in the circumstance set out in (I), or shall be transferred or cancelled within six months in the circumstances set out in (II) and (IV).

Shares bought back by the Company as per (III) of Article 24 of the Articles of Association shall not exceed 5% of the total outstanding shares of the Company; the buyback cost shall be covered by the after-tax profit of the Company; and the shares bought back shall be transferred to employees within one year.

The Company shall register the change of registered capital or equity with the industrial and commercial administration authority and make announcement according to the Listing Rules.

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

**Article 28** Unless the Company is under liquidation, the Company shall observe the following regulations when buying back its outstanding shares:

- (I) If the Company buys back shares at par value, the payment shall be deducted from the book balance of distributable profit of the Company and the proceeds from issuance of new shares for buying back old shares;
- (II) If the Company buys back shares above par value, the part equivalent to the par value shall be deducted from the book balance of distributable profit of the Company and the proceeds from issuance of new shares for buying back old shares; the part above the par value shall be processed as follows:
  - 1. Deducted from the book balance of distributable profit of the Company if the shares bought back were issued at par value;
  - 2. Deducted from the book balance of distributable profit of the Company and the proceeds from issuance of new shares for buying back old shares if the shares bought back were issued above par value; but the amount deducted from the proceeds from issuance of new shares shall not exceed the total premium obtained at the time of issuance of the shares bought back and shall not exceed the amount (including premium from issuance of new shares) in the premium account (or capital reserve account) of the Company at the time of buyback;

- (III) The monies paid by the Company for the following purposes shall be deducted from the distributable profits of the Company:
1. Acquiring the right to buy back its shares;
  2. Changing the share buyback contract;
  3. Cancelling its obligations under the share buyback contract.
- (IV) After the par value of the cancelled shares is deducted from the registered capital of the Company pursuant to relevant regulations, the amount deducted from the distributable profit for paying the par value of the shares bought back shall be stated in the premium account (or capital reserve account) of the Company.

## **Chapter 5 Transfer of Shares**

**Article 29** Unless otherwise specified in the laws, administrative regulations and the Listing Rules, all fully-paid shares of the Company can be transferred without any limitation and are not subject to any lien. Transfer of H shares shall be registered with the Hong Kong-based share registry designated by the Company.

**Article 30** The Company shall not accept its own shares as pledge object.

**Article 31** The shares of the Company held by the promoters shall not be transferred within one year after incorporation of the Company. Shares already issued by the Company before public offering shall not be transferred within one year after the shares of the Company are listed on the stock exchange.

The directors, supervisors and senior executives shall report to the Company about their shareholdings and changes thereof and shall not transfer more than 25% of their shares per annum during their terms of office; the shares they hold in the Company shall not be transferred within one year after the shares of the Company are listed. The aforesaid persons shall not transfer their shares in the Company within half a year after they terminate service with the Company.

## Chapter 6 Financial Assistance to Acquire Shares of the Company

**Article 32** The Company or its subsidiaries shall not at any time or in any form provide any financial assistance to purchasers or potential purchasers of the Company's shares. The aforesaid purchasers include persons directly or indirectly undertaking obligations because of the purchase of the Company's shares.

The Company or its subsidiaries shall not at any time or in any form provide any financial assistance to the aforesaid obligors for the purpose of reducing or discharging their obligations

The provisions herein do not apply to the circumstances set out in Article 34 of this Chapter.

**Article 33** Financial assistance referred to in this Chapter includes (but is not limited to) the following:

- (I) Gift;
- (II) Guarantee (including the case where the guarantor undertakes liability or provides property to ensure fulfilment of obligations by the obligor), compensation (excluding compensation for the Company's own error), termination or waiver of rights;
- (III) Provision of loan or execution of contract under which the Company fulfils obligations prior to other parties, change of the said loan and the parties to the contract, and transfer of the said loan and rights under the contract; and
- (IV) Provision of any other form of financial assistance when the Company is insolvent, has no net assets or its net assets are likely to decrease significantly.

Obligations referred to herein include the obligations undertaken by the obligor for entering into a contract or making an arrangement (regardless whether the said contract or arrangement is enforceable or whether it is undertaken by the obligor individually or jointly with others) or for changing his financial position in any form.

**Article 34** The following acts are not deemed as prohibited under Article 32 of this Chapter:

- (I) The Company provides the relevant financial assistance truthfully in the interest of the Company and the said financial assistance is not mainly intended to buy back the Company's shares or the said financial assistance is part of a general plan of the Company;
- (II) The Company distributes its properties as dividends in accordance with the law;

- (III) The Company distributes shares as dividends;
- (IV) The Company decreases the registered capital, buys back shares and adjusts the equity structure in accordance with the Articles of Association;
- (V) The Company, within its business scope, provides loan for its normal business operations (but such financial assistance shall not give rise to a decrease of the net assets of the Company, or despite a decrease, such financial assistance is deducted from the distributable profit of the Company); and
- (VI) The Company provides loan for the employee stock ownership plan (but such financial assistance shall not give rise to a decrease of the net assets of the Company, or despite a decrease, such financial assistance is deducted from the distributable profit of the Company).

## **Chapter 7 Shares and Shareholders' Register**

**Article 35** The Company's shares are all registered shares.

Matters specified in the Company's shares shall include:

- (I) Company name;
- (II) Date of incorporation of the Company;
- (III) Type of shares, par value and number of shares represented;
- (IV) Stock number;
- (V) Other matters to be specified pursuant to the *Company Law, Special Provisions* and as required by the stock exchange on which the Company's shares are listed.

During the period when H shares are listed on the Hong Kong Stock Exchange, the Company shall ensure all listing documents and ownership certificates of all its shares listed on the Hong Kong Stock Exchange (including H shares) shall include the following statements, and shall instruct and promote its share registrar to reject any subscription, purchase or transfer of the shares registered in the name of any individual holder, unless and until the said individual holder has submitted to the said share registrar the signed form relating to the said shares, which form shall include the following statements:

- (I) The share buyer agrees with the Company and each of its shareholders, and the Company agrees with each shareholder to observe and comply with the *Company Law, Special Provisions*, other relevant laws, administrative regulations and the Articles of Association.

- (II) The share buyer agrees with the Company and the Company's each shareholder, director, supervisor, general manager (CEO) and senior executive, and the Company acting on its behalf and for each director, supervisor, general manager (CEO) and senior executive agrees with each shareholder, to refer all disputes or claims arising from the Articles of Association or from the rights or obligations specified in the *Company Law* or other relevant laws or administrative regulations with respect to the Company's affairs to arbitration in accordance with the Articles of Association, and that any reference to arbitration shall be deemed to authorize the arbitration tribunal to conduct a public hearing in open session and to publish its arbitration award, and the arbitration award shall be final and conclusive.
- (III) The share buyer agrees with the Company and each of its shareholders that the shares of the Company can be transferred freely by the holders.
- (IV) The share buyer authorizes the Company to conclude contract on his behalf with each director and senior executive, who shall undertake to observe and fulfil duties for shareholders as specified in the Articles of Association.

**Article 36**

Shares shall be signed by the chairman of the Board. Other relevant senior executives of the Company shall also sign the shares if required by the stock exchange with which the Company's shares are listed. The shares shall come into effect after stamping or printing of the corporate seal on the shares. The shares shall only be stamped with the corporate seal under the authorization of the Board. The signature of the chairman or other relevant senior executive of the Company may also be printed on the shares. Issuance or trading of the shares of the Company in a non-paper form shall comply with other regulations of the securities regulatory authority and the stock exchange at the location where the Company's shares are listed.

**Article 37**

The Company shall establish a shareholders' register recording the following matters:

- (I) Names (titles), addresses (domiciles), occupations or features of the shareholders;
- (II) Type and number of shares held by the shareholders;
- (III) Monies paid or payable for the shares held by the shareholders;
- (IV) The serial numbers of the shares held by the shareholders;
- (V) Date on which the shareholders are registered as shareholders; and
- (VI) Date on which the shareholders terminate as shareholders.

The shareholders' register is a sufficient evidence of the shareholders' shareholdings in the Company unless there is evidence to the contrary.

Subject to the Articles of Association and other applicable requirements, once the shares of the Company are transferred, the name (title) of the transferee shall be listed in the shareholders' register as the holder of the said shares.

Transfer of shares shall be recorded in the shareholders' register.

Where two or more persons are registered as joint shareholders of any shares, they shall be deemed as the joint holders of the said shares subject to the following restrictions:

- (I) The Company shall not need to register more than four persons as joint shareholders of any shares;
- (II) The joint shareholders of any shares shall jointly and individually assume the responsibility for amounts of fees payable for relevant shares;
- (III) In the event that any shareholder among the joint shareholders deceases, only the other remaining joint shareholders shall be deemed by the Company as the owners of the relevant shares. However, the Board may, for the purpose of modifying the shareholders' register, require the provision of a death certificate of the relevant shareholder as it deems appropriate;
- (IV) Among the joint shareholders of any shares, only the joint shareholder listed first in the shareholders' register has the right to take relevant shares from the Company and receive notices of the Company, and any notice served to the said person shall be deemed as having been served to all the joint shareholders of the relevant shares. Any joint shareholder may sign the form of proxy. If there are more than one joint shareholder present in person or by proxy, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint shareholders. For this purpose, seniority of the shareholders will be determined by the order in which the names of the joint shareholders of the relevant shares stand in the shareholders' register; and
- (V) If any of the joint shareholders sends to the Company a receipt of any dividend, bonus or capital return payable to the said joint shareholders, the said receipt shall be deemed as a valid receipt sent by the said joint shareholders to the Company.

**Article 38** The Company may keep overseas the register of holders of overseas listed foreign shares and entrust it to the care of an overseas agency in accordance with the understanding and agreement reached between the securities regulatory authority under the State Council and the overseas securities regulatory authority.

The Company shall keep in Hong Kong the original of the register of holders of shares listed on the Hong Kong Stock Exchange in the register of holders of overseas listed foreign shares and keep at its domicile copies of the said register; the entrusted overseas agency shall always ensure that the original and copies of the register of holders of overseas listed foreign shares are consistent.

Where the original and copies of the register of holders of overseas listed foreign shares are inconsistent, the original shall prevail.

**Article 39** The Company shall keep a complete shareholders' register.

The shareholders' register shall include the following parts:

- (I) Shareholders' register kept at the domicile of the Company, save as specified in (II) and (III) herein;
- (II) The Company's register of holders of overseas listed foreign shares kept in the place of the overseas stock exchange where the shares are listed; and
- (III) Shareholders' register that the Board decides to keep in other place for the purpose of listing the shares of the Company.

**Article 40** The respective parts of the shareholders' register shall not overlap each other. In the event of transfer of shares registered in a specific part of the shareholders' register, the said shares shall not be registered in any other part of the shareholders' register in the duration of the registration of the said shares.

All H shares for which full payment has been made may be transferred freely in accordance with the Articles of Association; save under the following conditions, the Board may refuse to recognize any transfer instrument without providing any reason:

- (I) The transfer instrument and other instruments relating to the ownership of any share or affecting transfer of the share ownership shall be registered, and relevant payment shall be made to the Company according to the expense standard specified in the Listing Rules of the Hong Kong Stock Exchange, but the said payment shall not exceed the maximum expense specified by the Hong Kong Stock Exchange in the Listing Rules from time to time;
- (II) The transfer instrument only involves H shares listed in Hong Kong;
- (III) Stamp tax has been paid for the transfer instrument;
- (IV) Relevant shares and other evidence reasonably required by the Board to prove that the transferor has the right to transfer the said shares have been submitted;

- (V) If the shares are intended to be transferred to joint holders, the number of the registered joint shareholders shall not exceed four;
- (VI) The relevant shares are not subject to lien of any company; and
- (VII) Any shares shall not be transferred to minors or mentally defective persons or other persons with no legal capacity.

Should the Company refuse to register any transfer of shares, it shall, within two months from the date of the formal application for the transfer, provide the transferor and the transferee with a written notice stating its refusal of registration of such transfer.

Any change or correction of any part of the shareholders' register shall comply with the law of the location where the said part is kept.

**Article 41** Transfer of all overseas listed foreign shares listed in Hong Kong shall be executed with a written transfer instrument in a general or common format or any other format accepted by the Board (including the standard transfer format or transfer form specified by the Hong Kong Stock Exchange from time to time); the said transfer instrument may be signed by hand, or be stamped with the corporate seal (if the transferor or the transferee is a company). If the transferor or the transferee is a recognized clearing house as defined in relevant ordinances that take effect from time to time in accordance with Hong Kong laws ("recognized clearing house") or proxy thereof, the transfer form can be signed by print.

All transfer instruments shall be kept at the legal address of the Company, the address of share registrar or other place designated by the Board from time to time.

**Article 42** Change of the shareholders' register arising from share transfer shall not be registered within 30 days before convening of a general meeting or within five days prior to the benchmark date on which the Company decides to distribute dividends.

**Article 43** If the Company convenes a general meeting, distributes dividends, conducts liquidation or executes any other act requiring recognition of equity, the Board shall designate a certain date as equity determination date, at the end of which the shareholders in the register shall be shareholders of the Company.

**Article 44** If any person objects to the shareholders' register and asks to have his name (title) recorded in or deleted from the shareholders' register, the said person may apply to the court with jurisdiction to correct the shareholders' register.

**Article 45** If any shareholder in the shareholders' register or any person requesting to have his name (title) recorded in the shareholders' register has lost his shares (i.e. "the original shares"), the said shareholder or person may apply to the Company to reissue new shares for the said shares (i.e. "the relevant shares").

Application for reissuance of lost shares held by holders of domestic shares and holders of unlisted foreign shares shall be processed in accordance with the *Company Law*.

Application for reissuance of lost shares by holders of overseas listed foreign shares may be processed pursuant to the law, regulation of the stock exchange or other relevant regulation of the place where the original of the shareholders' register of overseas listed foreign shares is kept.

Application for reissuance of lost shares held by holders of overseas listed foreign shares listed in Hong Kong shall meet the following requirements:

- (I) The applicant shall submit an application with the standard format designated by the Company and attach a notarial deed or statutory statement. The content of the notarial deed or statutory statement shall include the reason for application, information about how the shares are lost, and a statement that no other person may request to be registered as shareholder for the relevant shares.
- (II) Before deciding to reissue new shares, the Company has not received a statement that anybody other than the applicant requests to be registered as shareholder for the said shares.
- (III) After deciding to reissue new shares to the applicant, the Company shall publish announcement of reissuance of new shares on the newspapers designated by the Board; the announcement period is 90 days, with at least one announcement in 30 days.
- (IV) Before publishing the announcement of reissuance of new shares, the Company shall submit a copy of the to-be-published announcement to the stock exchange with which the Company is listed, and may publish the announcement only after receiving a reply from the said stock exchange confirming that the said announcement has been displayed in the stock exchange. The duration of display of the said announcement in the stock exchange is 90 days.

If the application for reissuing shares is not approved by the registered holder of the relevant shares, the Company shall mail a copy of the to-be-published announcement to the said shareholder.

- (V) If, after expiry of the 90-day period of announcement and display specified in (III) and (IV) of this Article, the Company has not received any objection to reissuance of shares, the Company may reissue new shares as requested by the applicant.

(VI) When the Company reissues new shares pursuant to this Article, the Company shall immediately deregister the original shares, and record such deregistration and reissuance in the shareholders' register.

(VII) All the expenses for deregistering the original shares and reissuing new shares shall be borne by the applicant. The Company may refuse to take any action before the applicant provides any reasonable guarantee.

**Article 46** After the Company reissues new shares in accordance with the Articles of Association, the name (title) of the bona fide purchaser of the aforesaid new shares or the shareholder later registered as owner of the said shares (if he is a bona fide purchaser) shall not be deleted from the shareholders' register.

**Article 47** The Company shall have no obligation to compensate any person for any loss arising from deregistration of the original shares or reissuance of new shares, unless the said person can prove that the Company has committed any fraud.

## **Chapter 8 Rights and Obligations of Shareholders**

**Article 48** Shareholders of the Company are persons lawfully holding shares of the Company, with names (titles) recorded in shareholders' register.

The shareholders enjoy rights and fulfil obligations as per the type and number of shares they hold; shares of the same type represent the same rights and the same obligations. All class shareholders of the Company enjoy the same rights in dividend distribution or distribution made in other form.

If any shareholder is a legal person, its legal representative or proxy thereof shall exercise its rights on its behalf.

The Company shall not exercise any right to freeze or otherwise damage the rights attached to any shares directly or indirectly held by any person only on the ground that the said person has not disclosed his equity to the Company.

**Article 49** The ordinary shareholders of the Company shall be entitled to the following rights:

- (I) To receive dividends and other profit distributions in proportion to the shares they hold;
- (II) To attend general meetings either in person or by proxy and exercise the voting right;
- (III) To supervise, present suggestions on or make inquiries about the business activities of the Company;
- (IV) To transfer shares in accordance with the laws, administrative regulations and the Articles of Association;

- (V) To obtain relevant information in accordance with the Articles of Association, including:
1. Obtaining the copy of the Articles of Association after payment of production cost;
  2. Being entitled to access and copy after payment of reasonable expenses;
    - (1) Copies of all shareholders' registers;
    - (2) Personal information of the Company's directors, supervisors, general manager (CEO) and other senior executives, including:
      - (a) Present and former names and aliases;
      - (b) Principal address (domicile);
      - (c) Nationality;
      - (d) Full-time and all part-time occupations and duties;
      - (e) Identity certificates and numbers thereof.
    - (3) Report of status of the issued share capital of the Company;
    - (4) Reports of the total par value, number of shares, and the highest and lowest prices of each class of shares bought back by the Company since the last fiscal year, and the total expense paid by the Company for this purpose (by domestic shares and foreign shares (and H shares, if applicable));
    - (5) Minutes of the general meetings (for reference of shareholders only) and copies of the Company's special resolutions, copies of resolutions of the Board meetings and meetings of the Supervisory Committee;
    - (6) The latest audited financial statements of the Company, and the reports of directors, auditors, and supervisors;
    - (7) Copy of the latest annual inspection report filed with the industry and commerce authority of China or other competent authorities;
  3. Counterfoils of corporate bonds;

The Company shall keep at its Hong Kong address the documents as referred to in (2) to (7) above and any other applicable document as per the requirements of the Listing Rules for free reference of the public and shareholders (except minutes of the general meetings for reference of shareholders only). If any shareholder requests access to the aforesaid relevant or provision of data, the said shareholder shall provide the Company with written documents bearing evidence of the type and number of shares held by the said shareholder, and the Company will provide the said information as required by the said shareholder upon authentication of the said shareholder.

- (VI) In the event of termination or liquidation of the Company, to participate in the distribution of the remaining assets of the Company as per their shares;
- (VII) For shareholders objecting to resolutions of the general meeting concerning merger or division of the Company, to require the Company to buy their shares;
- (VIII) Pursuant to the *Company Law* or other laws and administrative regulations, to institute legal proceedings to the people's court and claim related rights concerning any act infringing upon the interests of the Company or the legitimate rights and interests of the shareholders;
- (IX) To exercise other rights specified by laws, administrative regulations, departmental rule, listing rules at the location where the Company's shares are listed and the Articles of Association.

**Article 50** The ordinary shareholders of the Company shall have the following obligations:

- (I) To observe the Articles of Association;
- (II) To pay subscription funds as per the shares subscribed and the method of subscription;
- (III) Not to exit shares unless in the circumstances stipulated by laws and regulations;
- (IV) Not to abuse the shareholders' rights to damage the interests of the Company or other shareholders or the independent legal person status of the Company or shareholders' limited liability to damage the interests of the creditors of the Company; if any shareholder of the Company abuses his shareholder's right, thereby incurring any loss of the Company or other shareholders, the said shareholder shall be liable for compensation according to law. If any shareholder of the Company evades the payment of debts by misusing the independent legal person status of the Company or shareholders' limited liability, thereby seriously harming the interests of the creditors of the Company, the said shareholder shall bear joint liability for such debts of the Company.

- (V) To fulfil other obligations stipulated by laws, administrative regulations and the Articles of Association.

Shareholders do not have the obligation to increase any share capital unless under the conditions accepted by the subscribers at the time of subscription.

If any shareholder holding more than 5% voting shares of the Company pledges the said voting shares, the said shareholder shall submit a written report to the Company on the date on which the said pledge is executed.

## **Article 51**

Save for the obligations under the laws, administrative regulations or the listing rules of the stock exchange with which the Company's shares are listed, the controlling shareholders (as defined in Article 52), in exercising their rights as shareholders, shall not make any decision detrimental to the interests of all or some shareholders as a result of the exercise of their voting rights on the following issues:

- (I) Exempting directors and supervisors from the obligation to act honestly in the best interest of the Company in good faith;
- (II) Allowing directors and supervisors (for the interests of their own or others) to seize from the Company its asset in any way, including (but not limited to) any opportunity favourable to the Company;
- (III) Allowing directors and supervisors (for the interests of their own or others) to seize from other shareholders their personal rights and interests, including (but not limited to) any right to profit distribution and right to vote, but excluding corporate reorganization submitted for adoption at the general meeting pursuant to the Articles of Association.

The controlling shareholders and effective controllers of the Company shall not use the connected relations to damage the interests of the Company; otherwise, they shall make compensation for the loss incurred to the Company.

The controlling shareholders and effective controllers of the Company shall be honest to the Company and general public shareholders. The controlling shareholders shall duly exercise contributors' rights according to law, shall not damage the legitimate rights and interests of the Company and general public shareholders by such means as profit distribution, asset reorganization, external investment, fund appropriation and loan guarantee and shall not abuse its controlling status to damage the interests of the Company and general public shareholders.

**Article 52** A controlling shareholder, as referred to in the preceding article, is a person who has any of the following conditions:

- (I) When acting alone or acting in concert with other persons, such a person can select more than half of the Company's directors;
- (II) When acting alone or acting in concert with other persons, such a person can exercise more than 30% (inclusive) of the voting rights of the Company or control the exercising of more than 30% (inclusive) of the voting rights of the Company;
- (III) When acting alone or acting in concert with other persons, such a person holds more than 30% (inclusive) of the outstanding shares of the Company;
- (IV) When acting alone or acting in concert with other persons, such a person has de facto control of the Company by other methods.

## **Chapter 9 General Meetings**

**Article 53** The general meeting shall be the authority of power of the Company and shall exercise its functions and powers according to law.

**Article 54** A general meeting shall exercise the following functions and powers:

- (I) To decide the business operation guideline and investment plan for the Company;
- (II) To elect and replace directors and to decide on matters relating to remuneration of the directors;
- (III) To elect and replace supervisors who are not the employee representative and to decide on matters relating to remuneration of the supervisors;
- (IV) To examine and approve reports of the Board;
- (V) To examine and approve reports of the Supervisory Committee;
- (VI) To examine and approve the annual financial budgets and final accounting plans of the Company;
- (VII) To examine and approve the Company's profit distribution plan and loss recovery plan;
- (VIII) To resolve on increase or decrease of the registered capital of the Company;
- (IX) To resolve on the merger, division, dissolution, liquidation or transformation of the Company;

- (X) To resolve on the issuance of corporate bonds and other securities and the listing of the Company;
- (XI) To resolve on the appointment, removal or non-reappointment of certified public accountants of the Company;
- (XII) To amend the Articles of Association;
- (XIII) To examine proposals made by shareholders severally or jointly representing more than 3% of the voting shares of the Company;
- (XIV) To examine the Company's purchase or disposal of major assets within one year or matters with the amount guaranteed exceeding 30% of the total assets of the Company;
- (XV) To resolve on other matters which, in accordance with the laws, administrative regulations, listing rules of the stock exchange with which the Company's shares are listed and the Articles of Association, shall be approved by a general meeting.

**Article 55** The Company may not enter into any contract with anyone other than a director, supervisor, general manager (CEO) or other senior executive to have all or significant part of the Company's business in the care of the said person, unless approved by the shareholders at a general meeting beforehand.

**Article 56** General meetings are classified into annual general meetings and extraordinary general meetings. General meetings shall be convened by the Board. Annual general meetings shall be convened once a year within six months after the end of the preceding fiscal year.

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

- (I) The number of directors falls short of the minimum number required by the *Company Law* or is less than two-thirds of the number required by the Articles of Association;
- (II) The unrecovered losses of the Company amount to one-third of the total amount of its paid-up share capital;
- (III) When shareholder(s), individually or jointly, holding 10% or more of the Company's issued and outstanding shares carrying voting rights request(s) in writing the convening of an extraordinary general meeting;
- (IV) The Board deems it necessary, or the Supervisory Committee proposes, to convene an extraordinary general meeting;

(V) In any other circumstance so specified in laws and regulations, the *Listing Rules* and the Articles of Association.

**Article 57** Where the Company convenes a general meeting, a written notice shall be given 45 days prior to the date of the meeting to notify all the shareholders in the shareholders' register of the issues to be considered at the meeting, and the date and venue of the meeting. Any shareholder intending to attend the meeting shall deliver to the Company a written reply showing his intention to attend at least 20 days before the meeting.

**Article 58** At general meetings of the Company, the Board, the Supervisory Committee, and shareholder(s) individually or jointly holding more than 3% of the Company's shares shall have the right to propose motions to the Company. The content of a proposal shall be determined by the general meeting, have definite topics and specific issues for resolution, and shall comply with the provisions of the laws, regulations and the Articles of Association.

Shareholder(s) individually or jointly holding more than 3% of the Company's shares may submit a written provisional motion to the convener 10 days before a general meeting is convened; the convener shall issue a supplementary notice of general meeting within two days after receipt of the said provisional motion, to notify other shareholders and to submit the said provisional proposal to the general meeting for consideration.

Proposals not set out in the notice of general meeting or not complying with the provision herein shall not be voted on or resolved at the general meeting.

**Article 59** Based on the written replies received 20 days before a general meeting, the Company shall calculate the number of voting shares represented by the shareholders who have intention to attend the general meeting. If the shareholders who intend to attend such meeting represent more than half of the total number of shares which have the right to vote at such meeting, the Company may hold the general meeting; otherwise, the Company shall, within five days, inform the shareholders again of the matters to be considered, and the date and venue of the general meeting by means of public announcement. The Company may then hold the general meeting after such public announcement has been made.

**Article 60** The notice of a general meeting shall meet the following requirements:

- (I) Is in written form;
- (II) Specifies the venue, date and time of the meeting;
- (III) States matters to be discussed at the meeting;

- (IV) Provides such necessary information and explanations for shareholders to make an informed judgment on the matters to be considered. Without limitation to the generality of the foregoing, where a proposal is made with respect to the merger of the Company with another company, the repurchase of shares, the restructuring of share capital, or other reorganization of the Company, the terms of the proposed transaction must be provided in detail along with copies of the proposed contract (if any), and the reason(s) and effect of such proposal must be properly explained;
- (V) contains a disclosure of the nature and extent of the material interests of any director, supervisor, general manager (CEO) or other senior executives in the proposed transaction and the effect which the proposed transaction will have on them in their capacity as shareholders insofar as it is different from the effect on interests of shareholders of the same class;
- (VI) contains the full text of any special resolution to be proposed at the meeting;
- (VII) contains a clear 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 such proxy need not be a shareholder of the Company;
- (VIII) Sets out the equity registration date of shareholders who are entitled to attend the general meeting;
- (IX) Specifies the time and venue for serving the power of attorney for the voting proxy for the meeting; and
- (X) Lists the name(s) and telephone number(s) of the contact person(s) for the meeting.

## **Article 61**

The notice of general meeting shall be delivered to shareholders (whether or not they are entitled to vote at the general meeting) by personal delivery or by prepaid mail to their addresses as shown in the shareholders' register, or by announcement on the website designated by the Company and the Hong Kong Stock Exchange in accordance with applicable laws, regulations and the Listing Rules. For holders of domestic shares, the notice of a general meeting may be issued in the form of public announcement.

Public announcement referred to in the preceding paragraph shall be published in one or more newspaper(s) designated by the securities authority under the State Council during the period between 45 days to 50 days prior to the date of the meeting. Once the announcement has been published, all holders of domestic shares shall be deemed to have received the notice of relevant general meeting.

- Article 62** The accidental omission to give notice of meeting to, or non-receipt of notice of meeting by, any person entitled to receive notice shall not invalidate the meeting and the resolutions adopted at the meeting.
- Article 63** Any shareholder entitled to attend and vote at a general meeting of the Company shall be entitled to appoint one or more persons (whether a shareholder or otherwise) as his proxy/proxies to attend and vote on his behalf. The said proxy may exercise the following rights as granted by the said shareholder:
- (I) The shareholder's right to speak at the general meeting;
  - (II) To severally or jointly request to vote by ballot; and
  - (III) Unless otherwise stated in applicable rules governing the listing of securities or other laws and regulations on securities, to exercise the right to vote by a show of hand or ballot. Where there is more than one proxy, the said proxy shall only vote by ballot.
- In the event that a shareholder is a recognized clearing house (or proxy thereof), it may, as it sees fit, appoint one or more persons as its proxy to attend and vote at any general meeting or class general meeting. However, in the event that more than one person is so appointed, the power of attorney shall specify the number and class of the shares relating to each such proxy. The power of attorney shall be subject to the signature of the appointer of the recognized clearing house. The persons thus appointed may attend meetings (without certifying their due authorization by show of shareholding certificate, notarized power of attorney and/or further evidence) and exercise rights on behalf of the recognised clearing house (or proxy thereof) as if the said persons were the personal shareholders of the Company.
- Article 64** The power of attorney shall be in writing under the hand of the principal or his proxy duly authorised in writing or, if the principal is a legal person, it shall be under seal or under the hand of a director or a proxy duly authorised. Such power of attorney shall specify the number of shares to be represented by the proxy; if several persons are appointed as the shareholder's proxies, the power of attorney shall specify the number of shares to be represented by each proxy.
- Article 65** The power of attorney for voting shall be deposited at the domicile of the Company or such other place as specified in the notice of meeting at least 24 hours prior to the meeting at which the proxy is authorized to vote or 24 hours before the scheduled voting time. Where such a power of attorney is signed by a person authorized by the principal, the power of attorney authorizing signature or other authorization documents shall be notarized. The notarized power of attorney and other authorization documents shall, together with the power of attorney for voting, be deposited at the company's domicile or other location as specified in the notice of the meeting.

Where the principal is a legal person, its legal representative or a person authorized by the Board or other decision making body shall attend the general meeting of the Company on his behalf.

For the purpose of the Articles of Association, the appointed person's attending such meeting or taking any action at such meeting shall be deemed as the principal's attending such meeting or taking relevant action (as the case may be).

**Article 66** Any format issued to a shareholder by the Board of the Company for appointing a proxy shall provide the shareholder with the flexibility to instruct the proxy to vote for or against, and give directives on each of the resolutions to be decided at the meeting. Such a format shall contain a statement that, in default of directives, the proxy may vote as he thinks fit.

**Article 67** A vote given by a proxy in accordance with the terms of the power of attorney shall be valid notwithstanding the death, loss of capacity, revocation of the power of attorney, revocation of the authority under which the proxy was executed, or the transfer of the share(s) in respect of which the proxy is given prior to voting, provided that no written notice of such death, loss of capacity, revocation or transfer has been received by the Company before the commencement of the meeting.

**Article 68** Resolutions of a general meeting shall be divided into ordinary resolutions and special resolutions.

An ordinary resolution must be approved by votes representing more than one half of the voting rights of the shareholders (including proxies) present at the general meeting.

A special resolution must be approved by the votes representing more than two-thirds of the voting rights of the shareholders (including proxies) present at the general meeting.

The attending shareholders (including proxies thereof) shall declare their affirmative or dissenting votes on every issue to be voted on; if the said shareholders or proxies thereof waive their rights of voting, the voting results representing the shares held by such voters shall be counted as "abstentions". Blank, wrong, illegible or uncast votes shall be deemed as the voters' waiver of their voting rights, and the voting results representing the shares held by such voters shall be counted as "abstentions". Abstentions shall be counted in the votes voted with voting rights when the Company calculates the voting results of an issue.

**Article 69** Shareholders (including proxies thereof) who vote at a general meeting shall exercise their voting rights as per the number of voting shares they represent. Each share carries the right to one vote. However, the Company has no voting right for the shares it holds, and such part of shares shall be excluded from the total number of voting shares represented by the shareholders attending the general meeting.

Pursuant to the applicable laws and regulations and the Listing Rules of the stock exchange on which the Company's shares are listed, whereas any shareholder is required to abstain from voting on any particular resolution or restricted to voting only for or against any particular resolution, any vote cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be tallied.

**Article 70** Voting at general meetings shall be conducted by show of hands, unless the following persons require ballot voting before or after voting by show of hands or relevant regulations of securities regulatory authority at the location where the shares of the Company are listed require ballot voting:

- (I) Presider of the meeting;
- (II) At least two shareholders with voting rights or proxies thereof; or
- (III) One or more shareholders present in person or by proxy and representing 10% or more of all shares carrying the right to vote, individually or jointly, at the meeting.

Unless the said persons require voting by ballot, the presider shall announce the result of voting by show of hands on proposals, which result shall be recorded in the minutes as final evidence, without specifying the number or percentage of pros for or cons against the resolutions adopted at the meeting.

The request for ballot voting can be withdrawn by the proposer.

Where ballot voting is required by relevant regulations of securities regulatory authority at the location where the shares of the Company are listed, the presider may, in the spirit of fairness and honesty, allow voting by show of hands with respect to resolutions relating merely to procedure or administrative issues.

In the case of voting by ballot, the Company shall appoint a supervisor for counting votes in accordance with the Listing Rules and shall disclose relevant votes voted as required by laws, administrative regulations, relevant regulatory authority or the Listing Rules of the Hong Kong Stock Exchange.

**Article 71** If the issue required to be voted by ballot relates to election of chairman or termination of meeting, voting by ballot shall be conducted immediately; in respect of other issues required to be voted by ballot, the chairman may decide the time of voting by ballot, and the meeting may proceed to consider other issues. The voting results shall still be deemed as resolutions passed at the said meeting.

**Article 72** At a poll taken at a meeting, a shareholder (including the proxy thereof) entitled to two or more votes need not cast all his votes in the same manner.

The general meetings shall resolve on all motions separately.

- Article 73** If pros and cons are equal, either by show of hands or by ballot, the presider shall be entitled to an additional vote.
- Article 74** The following issues shall be approved by ordinary resolutions at a general meeting:
- (I) Work reports of the Board and the Supervisory Committee;
  - (II) Profit distribution plans and loss recovery plans formulated by the Board;
  - (III) Appointment and removal of the members of the Board and shareholder supervisors, their remuneration and the method of payment thereof;
  - (IV) Annual budgets, final accounts, balance sheets, income statements, and other financial statements of the Company; and
  - (V) Other issues than those that should be passed by special resolutions pursuant to laws, administrative regulations, the *Listing Rules* or the Articles of Association.
- Article 75** The following issues shall be approved by special resolutions at a general meeting:
- (I) Increase or reduction in share capital of the Company and the issue of shares of any class, warrants and other similar securities;
  - (II) Issue of bonds of the Company;
  - (III) Division, merger, dissolution, liquidation or transformation of the Company;
  - (IV) Revision of the Articles of Association;
  - (V) Any other issue confirmed by an ordinary resolution at a general meeting that it may have material impact on the Company and accordingly shall be approved by a special resolution;
  - (VI) The Company's acquisition or disposal of major assets within one year with the transaction amount exceeding 30% of the total assets of the Company; and
  - (VII) Other issues requiring adoption by special resolution pursuant to the Articles of Association and the *Listing Rules*.

**Article 76**

The Supervisory Committee and shareholder(s) individually or jointly holding more than 10% of the Company's total voting shares may require convening an extraordinary general meeting or class general meeting, and shall follow the procedure below:

- (I) The Supervisory Committee and shareholder(s) individually or jointly holding more than 10% of the Company's total voting shares may sign one or several written requests with the same format and content to propose to the Board to convene an extraordinary general meeting or class general meeting, and specify the topics of the meeting. The Board shall convene an extraordinary or class general meeting responsively after receipt of the aforesaid written request. The aforesaid amount of shareholding is calculated as on the day when the shareholders make the written request.
- (II) If the Board fails to issue a notice of meeting within 30 days after receipt of the aforesaid written request, the Supervisory Committee may by itself convene a meeting within four months after the Board receives the said request; if the Supervisory Committee fails to convene and preside over a meeting, shareholders who hold more than 10% of the Company's shares, individually or jointly, for more than 90 consecutive days may convene and preside over a meeting by themselves, and the convening procedure shall to the extent possible be the same as the procedure by which the Board convenes a general meeting.

Where the shareholders or Supervisory Committee by themselves convene and preside over a meeting because the Board fails to convene the meeting pursuant to the aforesaid request, the reasonable expenses incurred shall be borne by the Company and shall be deducted from the monies payable by the Company to the defaulting directors.

**Article 77**

The general meeting shall be convened by the Board, and the chairman of the Board shall act as the presider of the meeting. If the chairman is unable or fails to perform his duties, the deputy chairman shall convene and act as the presider of the meeting. In the event that the deputy chairman is unable or fails to perform his duties, more than half of the directors may elect a director to convene and act as the presider of the meeting.

If the Board cannot or fails to convene a general meeting, the Supervisory Committee shall duly convene and preside; if even the Supervisory Committee cannot or fails to convene and preside over a general meeting, the shareholders individually or jointly holding more than 10% of the Company's shares for more than 90 consecutive days may by themselves convene and preside over a general meeting.

A general meeting convened by the Supervisory Committee itself shall be presided over by the chief supervisor. Where the chief supervisor cannot or fails to fulfil the duty thereof, the majority of the supervisors shall jointly elect a supervisor to preside.

A general meeting convened by the shareholders themselves shall be presided over by a representative elected by the convener. In the event that no presider is so elected, the attending shareholders shall elect one person to act as presider of the meeting; if for any reason the shareholders cannot elect a presider, the shareholder (including proxy thereof) holding the most voting shares among the attending shareholders shall preside over the meeting.

**Article 78** The presider of the meeting shall be responsible for determining whether a resolution has been passed pursuant to the voting results. His decision, which shall be final and conclusive, shall be announced at the meeting and recorded in the minutes.

**Article 79** If the presider has any doubt as to the result of a resolution which has been put to vote at the general meeting, he may have the ballots counted. If the presider has not counted the ballots, any shareholder who is present in person or by proxy and who objects to the result announced by the presider may, immediately after the declaration of the voting result, demand that the ballots be counted and the presider shall have the ballots counted immediately.

**Article 80** If ballots are counted at a general meeting, the counting result shall be recorded in the meeting minutes.

The general meeting shall file resolutions as minutes, which shall be signed by the presider and the attending directors. Meeting minutes, together with the signature register of attending shareholders and power of attorney of attending proxies, shall be kept at the domicile of the Company for at least 10 years.

**Article 81** The shareholders may have free-of-charge access to copies of the meeting minutes during the office hours of the Company. If any shareholder asks for copies of relevant meeting minutes, the Company shall send out the said copies within seven days after receipt of reasonable expenses.

## Chapter 10 Special Voting Procedures for Class Shareholders

**Article 82** Holders of different classes of shares are class shareholders.

Class shareholders shall enjoy rights and fulfil obligations pursuant to the laws, administrative regulations and the Articles of Association. In appropriate circumstances, the Company shall ensure enough voting rights for preferred shareholders.

If the share capital of the Company includes shares without voting rights, then the said shares shall be specified as “Without Voting Right”. If the share capital includes shares with different voting rights, then each class of shares (except those with most preferential voting right) shall be specified as “Restricted Voting Right” or “Limited Voting Right”.

**Article 83** Any proposed change or cancellation by the Company to the rights of class shareholders shall not come into effect unless approved by special resolutions at a general meeting and a separate general meeting convened by the class shareholders so affected in accordance with Articles 85 to 89.

**Article 84** In the following conditions, rights of a class of shareholders shall be deemed to have been changed or abrogated:

- (I) To increase or decrease the number of shares of such class, or to increase or decrease the number of shares of a class having voting rights, distribution rights or other privileges equal to or superior to those of the shares of such class;
- (II) To change all or part of the shares of such class into shares of another class or to change all or part of the shares of another class into shares of such class or to grant the right to make the said change;
- (III) To cancel or reduce rights to accrued dividends or cumulative dividends attached to shares of the said class;
- (IV) To reduce or cancel rights attached to the shares of the said class to preferentially receive dividends or to receive distributions of assets in a liquidation of the Company;
- (V) To add, cancel or reduce share conversion rights, options, voting rights, transfer rights, pre-emptive placing rights, or rights to acquire securities of the Company attached to the shares of the said class;

- (VI) To cancel or reduce rights to receive payments made by the Company in a particular currency attached to the shares of the said class;
- (VII) To create a new class of shares with voting rights, distribution rights or other privileges equal or superior to those of the shares of the said class;
- (VIII) To restrict the transfer or ownership of the shares of the said class or to impose additional restrictions;
- (IX) To issue rights to subscribe for, or to convert into, shares of the said class or another class;
- (X) To increase the rights and privileges of the shares of another class;
- (XI) To restructure the Company in such a way as to cause shareholders of different classes to bear liabilities disproportionately during the restructuring; and
- (XII) To amend or cancel any clause of this Chapter.

**Article 85**

The class shareholders so affected, whether or not otherwise entitled to vote at a general meeting, shall nevertheless be entitled to vote at any class meetings with respect to matters set forth in (2) to (8), (11) to (12) of Article 84, but interested shareholder(s) shall not be entitled to vote in class meetings.

Interested shareholders as specified in the preceding paragraph refer to:

- (I) In the event of a repurchase of shares by the Company by way of a general offer to all shareholders of the Company with the same proportion or by way of public transactions on a stock exchange pursuant to Article 25 of the Articles of Association, an “interested shareholder” is a controlling shareholder as defined in Article 52 of the Articles of Association;
- (II) In the event of a buyback of shares by the Company by an off-market agreement pursuant to Article 25 of the Articles of Association, an “interested shareholder” is a shareholder related to the agreement; or
- (III) In the event of reorganization of the Company, an “interested shareholder” is a shareholder who assumes a relatively less proportion of obligation than that of other shareholders of that class or who has an interest different from that of other shareholders of that class.

- Article 86** Resolutions of a class general meeting shall be approved by votes representing more than two-thirds of the voting rights of shareholders of that class present at the meeting who, in accordance with Article 85, are entitled to vote at the meeting.
- Article 87** Where the Company convenes a class general meeting, a written notice shall be given 45 days prior to the date of the meeting to notify all the shareholders of the said class in the shareholders' register of the issues to be considered at the meeting, and the date and venue of the meeting. Any shareholder intending to attend the meeting shall serve to the Company a written reply showing his intention to attend at least 20 days before the date of the meeting.
- Where the number of voting shares represented by shareholders intending to attend the meeting amounts to more than a half of the total number of voting shares of that class, the Company may convene the class general meeting; if not, the Company shall, within five days, notify shareholders again of the issues to be considered, date and venue of the meeting in the form of public announcements. The Company may then convene the class general meeting after such announcements.
- Article 88** Notices of class general meetings need only be served to those shareholders entitled to vote at the said meetings.
- Class general meetings shall be convened as per as similar a procedure as possible to that of general meetings. Provisions in the Articles of Association concerning the procedure for convening of general meetings also apply to class general meetings.
- Article 89** Apart from holders of other classes of shares, holders of domestic shares and overseas listed foreign shares are deemed as shareholders of different classes.
- Special voting procedures for class shareholders shall not apply in the following circumstances:
- (I) With the approval by special resolutions at a general meeting, the Company issues and plans to issue, at one or more occasions, a total number of shares not exceeding 20% of each of its existing issued and outstanding domestic shares and overseas listed foreign shares in every 12 months; or
  - (II) Where the Company's plan to issue domestic shares and overseas listed foreign shares at the time of its establishment is carried out within 15 months from the date of approval of the securities regulatory authority under the State Council;
  - (III) Shares (including domestic and foreign shares) already issued but not listed of the Company, after approval from the securities regulatory authority under the State Council, are converted to overseas listed shares.

# Chapter 11 Board of Directors

## Section 1 Directors

**Article 90** Directors shall be elected at general meetings for a term of three years, which is renewable upon re-election when it expires.

The chairman and vice chairman shall be elected and removed by more than half of all the directors, shall serve a term of three years, is eligible for re-election.

Directors need not hold shares of the Company.

**Article 91** The candidates for directors shall generally be proposed by the Board of the Company at the general meetings. The shareholders and the Supervisory Committee of the Company are entitled to nominate candidates for director pursuant to the Articles of Association.

A notice of the intention to nominate a person as director and a notice by that person indicating his acceptance of such nomination shall be given to the Company at least seven days in advance; the deadline for giving the said notice shall be calculated from the second day after Company issues the notice of election meeting and shall not be later than seven days before convening of the meeting.

The notice of the meeting shall carry full information about the resume of the director candidates, reasons for election of them and the candidates' attitudes toward the nomination.

**Article 92** A director may resign prior to the expiration of his term by tendering a written resignation to the Board.

If the number of directors of the Board falls below the quorum as a result of any resignation, such resignation shall not become effective until the vacancy resulting from such resignation is filled up by a succeeding director. The remaining directors shall convene an extraordinary general meeting as soon as possible to elect a director to fill the vacancy caused by the said resignation.

**Article 93** Any director who has left his office without authorization before his term of office expires and thereby caused the Company to incur a loss shall be liable for compensation to the Company.

A general meeting may dismiss a director (including a director serving concurrently as general manager (CEO) or other executive director) within his term of office by an ordinary resolution provided that the relevant laws and administrative regulations are observed (however, the said director's claim for compensation under any contract shall not be affected).

A director who has failed to attend two consecutive meetings of the Board in person and has not appointed other director(s) to attend on his behalf shall be deemed to be incapable of performing his duties. The Board may propose his removal at a general meeting.

**Article 94** If the term of office of a director expires but re-election is not made responsively or if any director resigns during his term of office so that the membership of the Board falls short of the quorum, the said director shall continue fulfilling the duties as director pursuant to relevant laws, administrative regulations and the Articles of Association until a new director is elected.

## **Section 2 Independent Non-Executive Directors**

**Article 95** Independent non-executive directors are directors who do not hold any position in the Company other than as director, member or chairman of the special committee of the Board and do not maintain with the Company or its substantial shareholders a connection which may possibly hamper their independent and objective judgments. Independent non-executive directors must make up at least a third of the Board and must consist of at least three members. The Company shall have at least one independent non-executive director who shall have relevant professional qualifications or have professional specialty in audit or related financial management and shall have at least one independent non-executive director who lives in Hong Kong.

**Article 96** An independent non-executive director shall meet the qualifications and requirements on independence as stipulated in laws, regulations and the Listing Rules.

**Article 97** An independent non-executive director may resign before his term of office expires.

If at any time the Company's independent non-executive director does not comply with the number, qualifications or requirements on independence as stipulated in the Listing Rules, the Company shall notify the Hong Kong Stock Exchange responsively, give relevant reasons and details in the form of public announcements, and appoint enough independent non-executive directors to meet the requirements of the Listing Rules within three months after the said incompliance.

**Article 98** An independent non-executive director shall perform his duties pursuant to laws, regulations and the Listing Rules.

**Article 99** The Company formulates a working system for independent non-executive directors, which specifies their qualifications, nomination, election and replacement and rights and obligations and is subject to the approval of general meetings.

**Article 100** Matters regarding independent non-executive directors and not specified herein shall be governed by relevant requirements on directors in laws, regulations, the Listing Rules and the Articles of Association.

### Section 3 Board of Directors

**Article 101** The Company sets a Board, which comprises 12 directors, including one chairman, one vice chairman and four independent non-executive directors.

Independent non-executive directors may directly report to the general meeting, CSRC and other relevant regulatory authorities.

**Article 102** The Board shall be accountable to the general meeting and exercise the following functions and powers:

- (I) To be responsible for convening general meetings and reporting its work to the general meetings;
- (II) To execute resolutions of general meetings;
- (III) to resolve on the Company's business plans and investment plans;
- (IV) To prepare the Company's annual financial budgets and final accounting plans;
- (V) To prepare the Company's profit distribution plans and loss recovery plans;
- (VI) To formulate the plan for increase or reduction of the Company's registered capital, and the plan for issue of the Company's bonds;
- (VII) To prepare plans for the Company's merger, division, dissolution or transformation;
- (VIII) To decide on the internal management structure of the Company;
- (IX) To appoint or dismiss the Company's general manager (CEO); to appoint or dismiss the Company's vice president, chief financial officer and other senior executives as nominated by the general manager (CEO) and determine their remunerations;
- (X) To work out the basic management system of the Company;
- (XI) To formulate the plan for any amendment to the Articles of Association;
- (XII) To exercise other functions and powers as stipulated by laws, regulations and the listing rules of the stock exchange with which the Company is listed or conferred by the general meetings and the Articles of Association.

The Board may resolve on the issues specified in the preceding paragraph by approval of more than half of the directors save for the issues specified in (VI), (VII) and (XI), of which approval of more than two-thirds of the directors is required. The directors shall perform their duties in accordance with laws and administrative regulations of the state, the Listing Rules, the Articles of Association and resolutions of general meetings.

**Article 103** Save as otherwise specified in laws, regulations or the listing rules of the stock exchange on which the shares of the Company are listed, investment of the Company in other enterprises or security provided by the Company for others shall be approved by the Board through a resolution. However, the provision of any security by the Company to any shareholder or effective controlling person of the Company must be approved at a general meeting through a resolution.

Any shareholder referred to in the preceding clause or any shareholder controlled by the effective controlling person referred to in the preceding clause shall not vote on such matters. Any such matter shall be decided by a majority of the voting rights held by other shareholders attending the meeting.

**Article 104** The Board shall not dispose of or agree to dispose of any fixed assets without approval by the general meeting if the sum of the expected value of the fixed assets to be disposed of and the value derived from the disposal of fixed assets within four months before such proposal to dispose of the fixed assets exceeds 33% of the value of the fixed assets as shown on the latest audited balance sheet considered and approved by the general meeting.

Disposals of the fixed assets mentioned herein include transfer of certain asset interests, but do not include guarantee provided by pledge of fixed assets.

The effectiveness of the Company's disposal of the fixed assets shall not be affected by any breach of the foregoing provisions in Paragraph 1 herein.

**Article 105** The chairman of the Board shall exercise the following functions and powers:

- (I) To preside over general meetings and to convene and preside over board meetings;
- (II) To examine the implementation of the resolutions of the Board;
- (III) To sign the securities certificates issued by the Company;
- (IV) To exercise other functions and powers conferred by the Board or the Listing Rules.

If the chairman is unable to perform his duties, such duties shall be performed in proxy by the vice chairman designated by the chairman.

**Article 106** Board meetings include regular meetings and provisional meetings. Board meetings shall be held at least four times a year and shall be convened by the chairman. Notice of the regular meeting of the Board shall be given at least 14 days in advance and that of a provisional meeting shall be given at least five days in advance. Notice deadlines of the said meetings may be exempted upon the consent of directors of the Company. Where a provisional board meeting needs to be convened in emergency, the notice of meeting may be sent by telephone or by other verbal means, but the convener shall make explanations at the meeting.

An extraordinary board meeting may be held, if:

- (I) Proposed by shareholders representing more than 10% of the voting rights;
- (II) Jointly proposed by more than one-third of the directors;
- (III) Proposed by the Supervisory Committee;
- (IV) Deemed necessary by the chairman of the Board;
- (V) Jointly proposed by more than half of the independent non-executive directors;
- (VI) Proposed by the general manager (CEO).

The chairman shall convene and preside over a board meeting within 10 days after receipt of the proposal.

**Article 107** The Board shall send the notice of a regular or provisional meeting by personal delivery, mail, fax or telephone.

Notice of meeting shall be deemed to have been served to any director who attends the meeting without raising any objection before or during the meeting that he has not received the notice of meeting.

Any regular or provisional meeting of the Board may be held by telephone conference, video conference or similar communication equipment so long as all directors present at the meeting can clearly hear and communicate with each other. All directors who have attended the meeting in such ways shall be deemed to be personally present at the meeting.

Save otherwise specified by laws and regulations or the Listing Rules, the Board may adopt written motion in lieu of board meeting. A written motion shall be deemed as having been adopted upon affixing of signature by directors reaching the quorum of the properly constituted and convened Board as stipulated by laws, regulations and the Articles of Association. Such written motions shall be filed together with meeting minutes of the Board and other archives of the Company and shall have the same binding effect and validity as the resolutions made by directors attending board meetings in person.

**Article 108** Board meetings shall be held only if more than half of the directors (including directors attending the meeting on behalf of others pursuant to Article 109 of the Articles of Association) are present.

Every director shall have the right to one vote. Unless otherwise provided in the Articles of Association, a resolution of the Board must be passed by the majority of the directors of the Company. If pros and cons are equal, the chairman shall be entitled to an additional vote.

**Article 109** Directors shall attend board meetings in person. In the event that a director is unable to attend a meeting for any reason, he may appoint another director by a written power of attorney to attend the meeting on his behalf. The power of attorney shall set out the scope of the authorization.

The director attending the meeting as proxy shall exercise rights within the scope of authorization. Where a director is not present at a board meeting and fails to authorize a proxy to act on his behalf, the said director shall be deemed to have waived his rights to vote at the meeting.

**Article 110** The Board and any committee thereof shall file resolutions of meetings as minutes and record in detail the matters considered and the decisions arrived at the meetings, including any questions or objections raised by the directors. After conclusion of a board meeting, the initial and finalized meeting minutes shall be sent to all the directors successively and in due time, with the initial ones to be commented on by the directors and the final ones to be recorded.

Minutes shall be signed by all attending directors and the person taking the minutes. The meeting minutes shall be kept for at least 10 years. The directors shall be responsible for the resolutions passed at board meetings. Any director who votes for a resolution which runs counter to the relevant laws, administrative regulations or the Articles of Association, thereby causing serious losses to the Company, shall be liable for compensation. A director who has been proved as having expressed dissenting opinions on the resolution and such opinions are recorded in the minutes of the meeting can be exempt from liability.

The independent non-executive directors' opinions shall be set out in the resolutions of board meetings.

## **Chapter 12 Secretary to the Board of Directors**

**Article 111** The Company shall have one secretary to the Board of Directors, who is a senior executive of the Company.

**Article 112** The secretary to the Company's Board shall be a natural person who has the requisite professional knowledge and experience, and shall be appointed or removed by the Board. The major duties of the secretary shall be:

- (I) To ensure that the Company has complete organization documents and records;
- (II) To ensure that the Company legally prepares and submits reports and documents as required by relevant authorities as well as to accept and organize the implementation of any assignment from the regulatory authorities;
- (III) To ensure that the shareholders' register of the Company is established appropriately and that the persons who have the right of access to the relevant documents and records of the Company obtain the same in due time; and
- (IV) To exercise other functions and powers as conferred by the Board as well as other functions and powers as required by the stock exchange with which the Company is listed.

**Article 113** A director or other senior executives of the Company may serve concurrently as secretary to the Board of Directors. Any accountant of the certified public accountants engaged by the Company shall not act in the capacity of the secretary to the Board of Directors.

In the event a director also acts in the capacity of the secretary to the Board, where any act requires to be made by the director and the secretary to the Board separately, such director who also acts in the capacity of the secretary to the Board shall not make such actions in both capacities.

### **Chapter 13 General Manager of the Company (CEO)**

**Article 114** The Company shall have one general manager (CEO), who shall be appointed and dismissed by the Board, several vice general managers and one chief financial officer, who shall be appointed or dismissed by the Board as nominated by the general manager (CEO).

Upon approval of the Board of the Company, a director may serve concurrently as the general manager (CEO) or other senior executives.

The general manager (CEO) and other senior executives shall serve a term of three years and may be reappointed for consecutive terms if re-elected.

**Article 115** The manager (CEO) of the Company shall be accountable to the Board and exercise the following functions and powers:

- (I) To manage the business operations of the Company and organise to execute the resolutions of the Board;
- (II) To organise to execute the Company's annual business plans and investment plans;

- (III) To prepare the plan for the internal management setup of the Company;
- (IV) To draft the basic management system of the Company;
- (V) To formulate the basic rules of the Company;
- (VI) To propose to appoint or dismiss the vice general manager, chief financial officer and other senior executives of the Company;
- (VII) To appoint or dismiss executives other than those appointed or dismissed by the Board;
- (VIII) To exercise other functions and powers conferred in the Articles of Association and by the Board.

**Article 116** The general manager (CEO) shall be present at board meetings, and if he is not a director, shall not have any voting right at board meetings.

**Article 117** In exercising functions and powers, the general manager (CEO) of the Company shall fulfil the obligation of honesty and diligence in accordance with laws, administrative regulations and the Articles of Association.

## **Chapter 14 Supervisory Committee**

**Article 118** The company shall have a Supervisory Committee.

**Article 119** The Supervisory Committee shall comprise three members, including one chairman. The term of office of a supervisor shall be three years, and is renewable upon re-election.

The chairman shall be appointed or removed by the votes of more than two-thirds of the members of the Supervisory Committee.

**Article 120** Employee representatives serving as supervisors shall not be less than one-third of the supervisors and shall be elected democratically and removed by the employees of the Company; while other supervisors shall be elected at a general meeting of the Company.

**Article 121** A director, the general manager (CEO) and other senior executives shall not serve as supervisor concurrently.

**Article 122** Meetings of the Supervisory Committee include regular meetings and provisional meetings. Regular meetings of the Supervisory Committee shall be held at least once every six months, and shall be convened and presided over by the chairman of the Supervisory Committee. Any supervisor may propose that a provisional meeting of the Supervisory Committee be held. If the chairman of the Supervisory Committee fails to or is unable to perform and exercise his functions and powers, a meeting of the Supervisory Committee shall be convened and presided over by a supervisor jointly nominated by more than half of all supervisors.

**Article 123** The Supervisory Committee shall be accountable to the general meeting and shall exercise the following powers according to laws:

- (I) To review the financial operations of the Company;
- (II) To supervise the performance of directors and senior executives of their duties to the Company, and propose dismissal of directors and senior executives who have violated laws, administrative regulations, the Listing Rules, the Articles of Association or the resolutions of general meetings;
- (III) to demand redress from the Company's directors and senior executives should their acts be deemed harmful to the Company's interests;
- (IV) To examine financial information such as financial reports, business reports and profit distribution plans as proposed by the Board to the general meeting, and if there are any queries, to engage certified public accountants or practicing auditors in the name of the Company to assist in the examination;
- (V) To propose the convening of extraordinary general meetings and, in case the Board does not perform the obligations to convene and preside over the general meetings, to convene and preside over the general meetings;
- (VI) To propose motions to the general meeting;
- (VII) To negotiate with directors on behalf of the Company or pursue legal actions against the directors and senior executives according to laws and the Articles of Association;
- (VIII) Other issues specified in the Articles of Association.

The supervisor may attend board meetings and make inquiries or suggestions in relation to the resolutions of board meetings.

The Supervisory Committee may directly report to CSRC and other relevant authorities.

If there are any unusual circumstances in the Company's operations, the Supervisory Committee shall conduct investigation, and if necessary, engage an accounting firm to assist in its work at the expense of the Company;

**Article 124** Meetings of the Supervisory Committee shall not be held unless over two-thirds of supervisors are present. The resolutions of the Supervisory Committee shall be adopted by open ballot, and each supervisor shall have one vote. Supervisors shall attend meetings of the Supervisory Committee in person. Where any supervisor cannot attend the meeting for any reason, he may appoint another supervisor to attend the meeting on his behalf, with the power of attorney in writing specifying the scope of authorization.

Resolutions of the meeting of the Supervisory Committee shall be approved by more than two-thirds of the members of the Supervisory Committee.

**Article 125** Records shall be made for all meetings of the Supervisory Committee. Minutes shall be signed by all attending supervisors and the person taking the minutes. The meeting minutes of the Supervisory Committee shall be kept as archives of the Company by an ad hoc person designated by the chairman of the Supervisory Committee. The meeting minutes shall be kept for at least 10 years.

**Article 126** All reasonable fees incurred in the retaining of such professionals as lawyers, certified public accountants or practicing auditors by the Supervisory Committee in the exercise of its functions and powers shall be borne by the Company.

**Article 127** Supervisors shall honestly fulfil the supervisory duty in accordance with laws, administrative regulations and the Articles of Association.

## **Chapter 15 Qualifications and Duties of Directors, Supervisors, General Manager (CEO) and Other Senior Executives of the Company**

**Article 128** A person shall not serve as director, supervisor, general manager (CEO) or other senior executives of the Company if the said person:

- (I) Is without capacity or with limited capacity for civil conduct;
- (II) Was imposed criminal penalty due to taking graft or committing bribery, infringing upon property, embezzling property or disrupting socialism market economic order and it is less than five years since the completion of enforcement of the criminal penalty; or is deprived of political rights due to criminal offence and it is less than five years since the completion of enforcement of the penalty;

- (III) Was once the director or factory manager, the manager of any company or enterprise which was bankrupted due to bad operation and was responsible for the bankruptcy of the said company or enterprise, and it is less than three years since the completion of liquidation for the bankruptcy of the said company or enterprise;
- (IV) Ever was the legal representative of any company or enterprise which was revoked business license or ordered to close down due to illegal activities and was responsible for such illegal activities, and it is less than three years since the revocation of the business license;
- (V) Has large outstanding personal debts;
- (VI) Is under investigation by the judiciary institution for suspected violation of the criminal law, and the result is still pending;
- (VII) Is disqualified as corporate leader in laws and administrative regulations;
- (VIII) Is not a natural person;
- (IX) Was ruled by the relevant regulatory authority that he has violated the relevant securities regulations and committed any fraudulent or dishonest act, and such ruling was made less than five years ago;
- (X) Is such a person as specified in the Listing Rules or the laws and rules of the places in which the Company's shares are listed.

Any election, appointment or employment of directors, supervisors or other senior executives in violation of the above provisions shall be invalid.

The Company shall dismiss the director, supervisor and senior executive if he is involved in the said circumstances set out in Paragraph 1 herein during his term of office.

**Article 129** The validity of an act of a director, the general manager (CEO) or other senior executives on behalf of the Company for a goodwill third person is not affected by any incompliance in the appointment, election or qualification thereof.

**Article 130** In exercising the powers conferred by the Company, directors, supervisors, the general manager (CEO) and other senior executives of the Company shall fulfil the following obligations to each shareholder in addition to the obligations under the laws, administrative regulations or the listing rules of the stock exchange on which the shares of the Company are listed:

- (I) Not to let the Company operate beyond the business scope specified in its business licence;

- (II) To sincerely act in the best interest of the Company;
- (III) Not to seize from the Company the property in any form, including (but not limited to) opportunity favourable to the Company;
- (IV) Not to seize from any shareholder any personal interests, including (but not limited to) right to profit distribution and right to vote, but excluding corporate reorganization submitted for adoption at the general meeting pursuant to the Articles of Association.

**Article 131** In exercising rights or fulfilling obligations, the directors, supervisors, the general manager (CEO) and other senior executives of the Company have the duty to act with due discretion, diligence and skill as a reasonable discreet person should do in similar circumstances.

**Article 132** In fulfilling duties, the directors, supervisors, the general manager (CEO) and other senior executives of the Company shall observe the principle of honesty and shall not set themselves in a position where their own interests may conflict with their obligations. The principle includes (but is not limited to) the following obligations:

- (I) To sincerely act in the best interest of the Company;
- (II) To exercise their rights within their terms of reference;
- (III) To exercise personally the discretion vested in them and not to allow themselves to be controlled by others and, save as permitted by laws, administrative regulations or the Listing Rules or approved by a shareholders' general meeting having knowledge of the circumstances, not to transfer the exercise of their discretion to others;
- (IV) To be equitable towards shareholders of the same class and fair towards shareholders of different classes;
- (V) Not to conclude any contract, conduct any transaction or make any arrangement with the Company saved as specified in the Articles of Association or the Listing Rules or unless approval is obtained by a shareholders' general meeting;
- (VI) Not to seek personal gains by using the property of the Company in any form unless approval is obtained by a shareholders' general meeting;
- (VII) Not to abuse official powers to accept bribes or other unlawful income, and not to expropriate the Company's property in any form, including (but not limited to) opportunity favourable to the Company;
- (VIII) Not to accept commissions in connection with the Company's transactions unless approval is obtained by a shareholders' general meeting;

- (IX) To observe the Articles of Association, fulfil duties honestly, protect the interests of the Company, and not to seek personal gains by using their positions and powers in the Company;
- (X) Not to compete with the Company in any form unless approval is obtained by a shareholders' general meeting;
- (XI) Not to appropriate the monies of the Company or lend the same to others, not to deposit the Company's assets in the accounts of their own or others, and not to use the Company's assets as security for the personal debts of the shareholders of the Company or others; and
- (XII) Unless approval is obtained by a shareholders' general meeting, not to disclose any confidential information related to the Company acquired by them during their term of office; not to use the said information save for the interest of the Company; however, they may disclose such information to a court or other competent government authorities in the following circumstances:
  - 1. Required by law;
  - 2. Required in the interests of the public; and
  - 3. Required for the interests of the said directors, supervisors, the general manager (CEO) and other senior executives.

**Article 133** Directors, supervisors, general manager (CEO) and other senior executives of the Company shall not tell the following persons or institutions ("connected persons") to do anything that the directors, supervisors, general manager (CEO) and other senior executives cannot do:

- (I) Spouses or minor offspring of directors, supervisors, general manager (CEO) and other senior executives of the Company;
- (II) Trustees of directors, supervisors, general manager (CEO) and other senior executives of the Company or persons set out in (I) herein;
- (III) Partners of directors, supervisors, general manager (CEO) and other senior executives of the Company or persons set out in (I) and (II) herein;
- (IV) Companies effectively and independently controlled by directors, supervisors, general manager (CEO) and other senior executives of the Company or companies effectively and jointly controlled by the persons set out in (I), (II) and (III) herein or other directors, supervisors, general manager (CEO) and other senior executives of the Company; and
- (V) Directors, supervisors, general manager (CEO) and other senior executives of the companies as set out in (IV) herein;

**Article 134** The honesty obligation of the directors, supervisors, general manager (CEO) and other senior executives of the Company shall not necessarily end with the expiry of their terms of office, and their confidentiality obligation to the Company in respect of commercial secrets shall continue after expiry of their terms of office. Other obligations may continue for such period as the principle of fairness may require depending on the amount of time which has lapsed between the termination and the act concerned and the specific circumstances under which the relationship between the Company and them was terminated.

**Article 135** The liability of directors, supervisors, general manager (CEO) and other senior executives of the Company for breaching a given obligation may be waived by the shareholders' general meeting which has knowledge of the circumstances, save for the circumstances specified in Article 51 of the Articles of Association.

**Article 136** If directors, supervisors, general manager (CEO) and other senior executives of the Company have any direct or indirect material interests in any contract, transaction or arrangement already concluded or under planning with the Company (exclusive of engagement contract with the Company), they shall responsively disclose the nature and extent of the said interests to the Board regardless whether the relevant matters are subject to approval by the Board in normal circumstances.

If any director has connection with the enterprise involved in the resolution made at a Board meeting, the said director shall not vote on the said resolution for himself or on behalf of another director and shall abstain from voting. The Board meeting may be held when more than half of the non-connected directors attend the meeting. The resolution of the Board meeting shall be passed by more than half of the non-connected directors. If the number of non-connected directors attending the meetings is less than 3, the issue shall be submitted to the general meeting of the listed company for examination.

Unless under the exceptional circumstances specified in Note 1 of Appendix 3 of Listing Rules or approved by the Hong Kong Stock Exchange, a director shall not vote on any resolution of the Board which approves the contract, transaction or arrangement or any other relevant suggestions where he/she or his/her close associates (as defined in the applicable Listing Rules which come into effect from time to time) own a material interest; and shall not be included into the quorum of the meeting. If the relevant contract, transaction, arrangement or suggestion involves the connected transaction specified in the Listing Rules, the "close associates" herein shall be changed to "associates" (as defined in the applicable Listing Rules which come into effect from time to time).

Unless the directors, supervisors, general manager (CEO) and other senior executives of the Company having material interests have disclosed to the Board as per Paragraph 1 herein, and the said transaction is approved at the Board meeting at which they are not included into the quorum and do not vote, the Company shall have the right to cancel the said contract, transaction or arrangement, save for the circumstance in which the other parties are goodwill parties uninformed of the default of the relevant directors, supervisors, managers and other senior executives.

If the connected persons or associates of the directors, supervisors, general manager (CEO) and other senior executives of the Company have any interests in a given contract, transaction or arrangement, the said directors, supervisors, general manager (CEO) and other senior executives shall also be deemed as having interests.

**Article 137** If, before the Company concludes relevant contract, transaction or arrangement for the first time, the directors, supervisors, general manager (CEO) and other senior executives of the Company have notified the Board in writing that they will have interests in the contract, transaction or arrangement concluded by the Company in the future because of the reasons set out in the notice, they shall be deemed as having executed disclosure as specified in the preceding paragraph of this chapter to the extent specified in the notice.

**Article 138** The Company shall not pay taxes in any form for its directors, supervisors, general manager (CEO) and other senior executives.

**Article 139** The Company shall not directly or indirectly provide loan or loan guarantee to the directors, supervisors, general manager (CEO) and other senior executives of the Company or its parent company, or to the connected persons of the aforesaid persons.

The preceding paragraph does not apply to the following circumstances:

- (I) The Company provides loan or loan guarantee for its subsidiaries;
- (II) The Company, in accordance with the engagement contracts approved at the general meeting, provides loan, loan guarantee or other monies to the directors, supervisors, general manager (CEO) and other senior executives of the Company so that they may pay the expenses incurred for the Company or for fulfilling their duties for the Company; and
- (III) If the normal business scope of the Company includes provision of loan and loan guarantee, the Company may provide loan and loan guarantee to relevant directors, supervisors, general manager (CEO) and other senior executives and their connected persons, but the conditions for providing loan or loan guarantee shall be normal business conditions.

**Article 140** If the Company provides loan in violation of the preceding article, the recipient of the loan shall return the same immediately to the Company regardless of the loan conditions.

**Article 141** The Company shall not be forced to execute loan guarantee provided in violation of Paragraph 1 of Article 139 except in the following circumstances:

- (I) The loan provider does not know that it has provided loan to the connected persons of the directors, supervisors, general manager (CEO) and other senior executives of the Company or its parent company;

- (II) The guarantee provided by the Company has been sold by the loan provider lawfully to a goodwill buyer.

**Article 142** The guarantee as referred to in the preceding articles includes the act of the guarantor to undertake the responsibility or provide property to ensure that the obligor fulfils the obligations.

**Article 143** If the directors, supervisors, general manager (CEO) or other senior executives fail to fulfil the obligations to the Company, the Company shall have the right to take the following actions in addition to the rights and remedial measures under the relevant laws and administrative regulations:

- (I) Require the relevant directors, supervisors, general manager (CEO) or other senior executives to compensate the Company for the losses arising from their neglect of duty;
- (II) Cancel the contracts or transactions concluded between the Company and the relevant directors, supervisors, general manager (CEO) or other senior executives, or between the Company and a third person (if the third person knows or is supposed to know that the directors, supervisors, general manager (CEO) or other senior executives representing the Company have breached their obligations to the Company);
- (III) Require the relevant directors, supervisors, general manager (CEO) or other senior executives to surrender gains arising from breach of obligations;
- (IV) Recover monies, including (but not limited to) commissions, received by the relevant directors, supervisors, general manager (CEO) or other senior executives but receivable by the Company;
- (V) Require the relevant directors, supervisors, general manager (CEO) or other senior executives to surrender interests earned or likely to be earned from monies payable to the Company;

**Article 144** The Company shall conclude written contracts with every director, supervisor and senior executive, covering at least the following matters:

- (I) Directors, supervisors or senior executives shall undertake to the Company to observe *Company Law*, *Special Provisions*, the *Articles of Association*, and *Code on Takeovers and Mergers* and *Code on Share Repurchase* approved (revised from time to time) by the Securities and Futures Commission of Hong Kong and other provisions of the Hong Kong Stock Exchange, and agree that the Company is entitled to remedial measures under the Articles of Association and that the said contracts and their positions as director, supervisor or senior executive shall not be transferred;

- (II) Directors, supervisors or senior executives shall undertake to the Company representing respective shareholders to fulfil their due duties for the shareholders as specified in the Articles of Association;
- (III) Arbitration clauses specified in Article 184 of the Articles of Association.

**Article 145** The Company shall conclude written contracts with its directors and supervisors in relation to their remunerations, subject to prior approval at a general meeting. The aforesaid remunerations include:

- (I) Remunerations as directors, supervisors or senior executives of the Company;
- (II) Remunerations as directors, supervisors or senior executives of subsidiaries of the Company;
- (III) Remunerations for providing other services for the management of the Company and subsidiaries thereof; and
- (IV) Compensations for the said directors or supervisors for losing their positions or for retirement.

Save as specified in the aforesaid contracts, the directors or supervisors shall not pursue legal action against the Company for the aforesaid interests.

**Article 146** The Company shall specify in the contracts concluded with the directors or supervisors in relation to remunerations that if the Company is acquired, the directors or supervisors of the Company have the right to seek compensations or other monies for losing their positions or for retirement under the conditions approved at the general meeting.

The acquisition in the preceding paragraph refers to any of the following circumstances:

- (I) Tender offer of any person to all the shareholders; or
- (II) Tender offer of any person to become a controlling shareholder of the Company. The definition of a controlling shareholder is the same as that in Article 52 of the Articles of Association.

Any monies received by the relevant directors or supervisors in violation of the provisions herein shall belong to those who sell their shares in response to the aforesaid tender offer, and the said directors or supervisors shall bear the expenses for distributing the said monies in proportion, which shall not be deducted from the said monies.

## Chapter 16 Financial Accounting System and Profit Distribution

**Article 147** The Company shall formulate its financial accounting system in accordance with relevant laws, administrative regulations and the PRC accounting standards formulated by the competent financial authority of the State Council.

**Article 148** The Company shall prepare financial reports at the end of each fiscal year, which shall be audited by certified public accountants according to law. The financial reports of the Company shall include the following financial statements and accessory documents:

- (I) Balance sheet;
- (II) Income statement;
- (III) Cash flow statement;
- (IV) Notes to financial statements;
- (V) Profit distribution statement.

The fiscal year of the Company is Gregorian calendar year, i.e. from 1 January to 31 December every year. The Company shall use Renminbi as the recording currency and the accounts shall be written in Chinese.

**Article 149** The Board of the Company shall, at each annual general meeting, submit to the shareholders the financial reports prepared by the Company in accordance with the relevant laws, administrative regulations, normative documents issued by local governments and competent authorities and the Listing Rules.

**Article 150** The financial reports of the Company shall be kept in the Company and accessible to the shareholders 20 days before convening of the annual general meeting. Every shareholder of the Company shall have the right to access the aforesaid financial reports.

The Company shall, at least 21 days before convening of the annual general meeting, send by prepaid mail to all holders of overseas listed foreign shares the aforesaid reports or directors' reports and the balance sheet (including each document required by laws and regulations to be attached to the balance sheet) and income statement or income and expenditure statement; and the addresses of addressees shall be those recorded in the shareholders' register.

**Article 151** The financial statements of the Company shall be prepared in accordance with the PRC accounting standards and regulations as well as the international accounting standards or the accounting standards of the overseas listing place. If the financial statements prepared under the two accounting standards are discrepant significantly, such discrepancy shall be explained in the notes to the financial statements. The Company shall distribute the after-tax profit of the relevant fiscal year as per the less of the after-tax profits in the aforesaid two financial statements.

**Article 152** The interim results or financial data announced or disclosed by the Company shall be prepared in accordance with the PRC accounting standards and regulations as well as the international accounting standards or the accounting standards of the overseas listing place.

**Article 153** The Company shall announce two financial reports each fiscal year, i.e. interim financial report announced within 60 days after the end of the first six months of the fiscal year and the annual financial report announced within 120 days after the end of the fiscal year.

If the securities regulatory authority of the location where the Company's shares are listed has other provisions, such provisions shall prevail.

**Article 154** The Company shall not establish account books other than the statutory account books.

**Article 155** Capital reserve includes the following:

- (I) Premium arising from issue above the par value of shares;
- (II) Other revenues required by the competent financial authority under the State Council to be stated as capital reserve.

**Article 156** The common reserve funds of the Company shall only serve the following purposes:

- (I) To make up for losses. The capital reserve shall not be used to make up for the losses.
- (II) To increase capital. When the statutory common reserve fund is capitalized to increase capital, the amount of the said fund left shall not be less than 25% of the registered capital of the Company prior to the increase.
- (III) To enlarge production capacity.

**Article 157** The Company may distribute dividends in either (both) of the following forms:

- (I) Cash;
- (II) Shares.

**Article 158** When the Company distributes its after-tax profits of the current year, it shall withdraw 10% of the profits as its statutory common reserve fund. Such withdrawal may be stopped when the statutory common reserve fund of the Company has accumulated to over 50% of the registered capital of the Company.

If the statutory common reserve fund is insufficient to make up for the losses of the preceding year, the profits of the current year shall first be used to make up for the said losses before any statutory common reserve fund is withdrawn as per the preceding paragraph.

After statutory common reserve fund is withdrawn out of the after-tax profits, discretionary common reserve fund may also be withdrawn out of the same as per a resolution made at a general meeting.

If the Board of Shareholders, general meeting or the Board, in violation of the provisions in the preceding paragraph, distributes profits to shareholders before the Company makes up for losses and withdraws statutory common reserve fund, the shareholders shall return the profits thus distributed to the Company.

The shares of the Company held by the Company shall not be subject to profit distribution.

**Article 159** The Company shall appoint collection agents for holders of overseas listed foreign shares. The collection agents shall, on behalf of the related shareholders, collect dividends distributed by the Company for the overseas listed foreign shares and other payables.

The collection agents appointed by the Company shall meet the requirements of the laws or the stock exchange of the listing place.

The collection agents appointed by the Company for holders of foreign shares listed on the Hong Kong Stock Exchange shall be trust companies registered pursuant to *Trustee Ordinance* of Hong Kong.

The Company shall have the right to stop sending dividend coupons by post to a holder of overseas listed foreign shares when the dividend coupons are not cashed for two consecutive times. However, the Company may also exercise such a right when the dividend coupons are returned after they are sent to the addressee for the first time.

Regarding exercise of right to issue warrants to anonymous holders, the Company shall not issue any new warrant to replace the lost one, unless it is sure beyond reasonable doubt that the original warrant has been destroyed.

The Company shall have the right to sell the shares of the holders of overseas listed foreign shares who cannot be reached in a manner deemed as appropriate by the Board, but it shall comply with the following conditions:

- (I) Dividends have been distributed for the said shares for at least three times in 12 years, but are not claimed in the said period; and
- (II) Upon expiry of the 12-year period, the Company shall announce its intent to sell the shares in one or more newspapers at the listing place of the Company, and notify the stock exchange on which the said shares are listed.

Provided that the relevant PRC laws and regulations are observed, the Company may exercise the right to seize dividends not collected, but the said right shall not be exercised before expiry of the applicable validity period.

Monies paid for any shares before dunning shall have dividends, but the holders of shares are not entitled to dividends announced later for the said monies.

## **Chapter 17 Appointment of Certified Public Accountants**

**Article 160** The Company shall appoint qualified independent certified public accountants to audit the annual financial reports and other financial reports of the Company.

**Article 161** The term of appointment of certified public accountants for the Company shall be from conclusion of one annual general meeting to conclusion of the next annual general meeting. The appointment may be extended upon expiry of the period of appointment.

**Article 162** The certified public accountants appointed by the Company shall have the following rights:

- (I) To access the account books, records or vouchers of the Company at any time, and to ask directors, general manager (CEO) or other senior executives to provide relevant documents and explanations;
- (II) To ask the Company to take every action possible to obtain documents and explanations from its subsidiaries needed for the certified public accountants to perform their duties;
- (III) To be present at general meetings, get notice of general meeting that any shareholder has the right to receive or other information relating to general meetings, and deliver speeches at any general meeting in relation to the matters concerning the certified public accountants.

**Article 163** In the event of vacancy of certified public accountants, the Board may appoint certified public accountants to fill the said vacancy before convening of a general meeting. During duration of the said vacancy, if the Company has any incumbent certified public accountants, the said certified public accountants may still fulfil their duties.

**Article 164** Regardless of the terms in the contract concluded between the certified public accountants and the Company, the general meeting may, through an ordinary resolution, dismiss the said certified public accountants before expiry of the term thereof. In the event of any rights claimed by the certified public accountants against the Company, the said rights shall not be affected.

**Article 165** The remunerations of the certified public accountants or the method for determining the same shall be subject to the decision of the general meeting. The remunerations of the certified public accountants appointed by the Board shall be determined by the Board.

**Article 166** Appointment, dismissal or non-appointment of certified public accountants by the Company shall be subject to decision at the general meeting and shall be filed with the securities regulatory authority under the State Council.

The general meeting shall comply with the following provisions in passing a resolution to appoint non-incumbent certified public accountants to fill any vacancy of certified public accountants or continue appointing certified public accountants appointed by the Board to fill the vacancy or dismiss incumbent certified public accountants before the expiry of its term:

(I) The proposal for appointment or dismissal shall, before the notice of general meeting is sent, be served to certified public accountants to be appointed or to terminate service or having terminated service in the relevant fiscal year.

Termination of service shall include dismissal, resignation or retirement.

(II) If the certified public accountants about to terminate service make a written statement and request the Company to notify the shareholders of the said statement, the Company shall take the following actions unless the statement is received too late:

1. Describe in the notice issued for the resolution that the certified public accountants about to terminate service have made a statement; and
2. Send to the shareholders entitled to receive the notice of general meetings a copy of the statement as an attachment to the notice in the form specified in the Articles of Association.

(III) If the Company fails to send out the statement of the certified public accountants as per (II) herein, the relevant certified public accountants may require that the said statement be read at the general meeting and may further lodge a complaint.

(IV) Certified public accountants about to terminate service have the right to attend the following meetings:

1. The general meeting at which their term of appointment expires;
2. The general meeting for filling vacancy because of their termination of service; and
3. The general meeting held because of their resignation.

The certified public accountants about to terminate service have the right to receive all the notices of the aforesaid meetings or other information relating to the meetings, and deliver speeches at the meetings in relation to the matters concerning the certified public accountant.

**Article 167** Where the Company dismisses or does not continue appointing the certified public accountants, prior notice shall be given to the certified public accountants, and the certified public accountants shall have the right to state their opinions to the general meeting. Where the certified public accountants tender their resignation, they shall state to the general meeting whether the Company has anything inappropriate.

The certified public accountants may resign by placing a written notice of resignation at the legal address of the Company. The said notice shall take effect on the date of delivery to the legal address of the Company or on a later date specified in the notice. The said notice shall include the following statements:

- (I) A statement that their resignation does not involve any information to be disclosed to the shareholders or creditors of the Company; or
- (II) A statement of any such information to be disclosed.

The Company shall send a copy of the written notice mentioned in the preceding paragraph to relevant competent authority within 14 days after receipt of the said notice. If the notice contains the statement mentioned in (II) of the preceding paragraph, the Company shall keep a copy of the said statement in the Company for reference by the shareholders. The Company shall also send a copy of the aforesaid statement to every shareholder who has the right to obtain the financial reports of the Company, as per the addresses in the shareholders' register.

If the notice of resignation of the certified public accountants contains the statement mentioned in (II) of Paragraph 2 herein, the certified public accountants may require the Board to convene an extraordinary general meeting to listen to their explanation about the resignation.

## **Chapter 18 Merger and Division of the Company**

**Article 168** In respect of the merger or division of the Company, the Board shall propose a plan and have it adopted following the procedure specified in the Articles of Association, and go through relevant examination and approval formalities pursuant to law. Any shareholder objecting to merger or division of the Company shall have the right to require the Company or the shareholders approving merger or division of the Company to buy his shares at a fair price. Resolution on merger or division of the Company shall be archived as special document for reference by the shareholders.

The aforesaid document shall also be served by post to holders of overseas listed foreign shares, as per the addresses in the shareholders' register.

**Article 169** Merger of the Company may be in two forms: merger by absorption and merger by consolidation.

In the event of merger of the Company, the parties concerned shall conclude a merger agreement and prepare balance sheets and property inventories. The Company shall notify all creditors within 10 days after adoption of the merger resolution and shall make announcements in newspapers within 30 days. The creditors may require the Company to repay debts or provide corresponding guarantees within 30 days after receipt of the notice or within 45 days after the announcement if the creditors haven't received the notice.

The creditor's rights and debts of the parties concerned after merger of the Company shall be inherited by the company subsisting after merger or by the newly established company.

**Article 170** Where the Company is divided, its properties shall be divided accordingly.

In the event of division of the Company, the parties concerned shall conclude a division agreement and prepare balance sheets and property inventories. The Company shall notify all creditors within 10 days after adoption of the division resolution and shall make announcements in newspapers within 30 days.

The companies after division shall bear joint liability for the debts of the Company before division, save as otherwise specified in the written agreement on debt repayment reached between the Company and its creditors before division.

**Article 171** Change to registered particulars arising from a merger or division of the Company shall be registered with the company registration authority according to law. If the Company is dissolved, a cancellation of its registration shall be effected according to law. If a new company is established, registration of such establishment shall be effected according to law.

## **Chapter 19 Dissolution and Liquidation of the Company**

**Article 172** The Company shall be dissolved and liquidated according to law in any of the following circumstances:

- (I) Any circumstance for dissolution specified in the Articles of Association arises;
- (II) The general meeting has resolved to dissolve the Company;
- (III) Merger or division of the Company entails dissolution;
- (IV) The Company is declared bankrupt according to law because it is unable to pay its debts as they fall due;
- (V) The business license is revoked according to law, or the Company is ordered to close or is cancelled;
- (VI) If the Company gets into serious trouble in operations and management and continuation may incur material losses of the interests of the shareholders, and no solution can be found through any other channel, the shareholders holding more than 10% of the total voting rights of the Company may request the people's court to dissolve the Company.

**Article 173** In the circumstance set out in (I) of the preceding article, the Company may continue to subsist by amending the Articles of Association. Where the Company dissolves pursuant to (I), (II), (V) and (VI) of the preceding article, a liquidation group shall be set up within 15 days and the members thereof shall be decided by an ordinary resolution at a general meeting.

If the Company is dissolved pursuant to (IV) of the preceding article, a liquidation group comprising shareholders, relevant departments and relevant professionals shall be established by the people's court in accordance with relevant laws to carry out the liquidation.

If the liquidation group is not duly set up, the creditors may request the people's court to designate related persons to form a liquidation group to carry out liquidation. The people's court shall accept such request and form a liquidation group so as to carry out liquidation in a timely manner.

**Article 174** If the Board decides to liquidate the Company (save for liquidation when the Company is declared bankrupt), the notice of general meeting to be held therefor shall contain a statement that the Board has made a thorough investigation on the conditions of the Company and that the Company may repay all its debts within 12 months after commencement of liquidation.

After the resolution on liquidation is adopted at the general meeting, the functions and powers of the Board shall terminate immediately.

The liquidation group shall, as per the instructions of the general meeting, report to the general meeting at least once a year about the revenues and expenses of the liquidation group, the businesses of the Company and the progress of liquidation, and deliver a final report to the general meeting at the end of liquidation.

**Article 175** The liquidation group shall notify all creditors within 10 days after its establishment and shall make announcements in newspapers within 60 days. The creditors shall declare their creditor's rights to the liquidation group within 30 days after receipt of the notice or within 45 days after announcement if the creditors haven't received the notice. To declare their creditor's rights, the creditors shall explain matters relating to their rights and provide relevant evidential documents. The liquidation group shall register the creditor's rights according to law.

**Article 176** During liquidation, the liquidation group shall exercise the following functions and powers:

- (I) To examine and take possession of the assets of the Company and prepare a balance sheet and a property inventory;
- (II) To inform creditors by notice or announcement;
- (III) To deal with the outstanding businesses of the Company relating to liquidation;
- (IV) To pay off the outstanding taxes and the taxes incurred in the process of liquidation;
- (V) To settle creditor's rights and debts;
- (VI) To dispose of the remaining assets of the Company after repayment of debts;
- (VII) To represent the Company in civil proceedings.

**Article 177** After the liquidation group has examined and taken possession of the assets of the Company and prepared a balance sheet and a property inventory, it shall formulate a liquidation proposal and submit it to the general meeting or the relevant competent authority for confirmation.

The assets of the Company shall be liquidated in the following order of priority: liquidation expenses, employees' salaries, social insurance expenses, statutory compensations, outstanding taxes, and the Company's debts.

The assets of the Company remaining after liquidation as specified in the preceding paragraphs shall be distributed to the shareholders as per the types of their shares and their shareholding percentages.

During the liquidation, the company continues to exist but shall not carry out any business operation that has nothing to do with liquidation.

Before liquidation as specified in the preceding paragraphs, the assets of the Company shall not be distributed to shareholders.

**Article 178** In the event of liquidation due to dissolution of the Company, after the liquidation group has examined and taken possession of the assets of the Company and prepared a balance sheet and a property inventory, if it discovers that the Company's assets are insufficient to repay its debts in full, it shall immediately apply to the people's court to declare the Company bankrupt.

Once the people's court makes a ruling declaring the Company bankrupt, the liquidation group shall hand over the liquidation matters to the people's court.

**Article 179** After completion of liquidation of the Company, the liquidation group shall prepare a liquidation report and income and expenditure statements and account books in respect of the liquidation period and, after verification of the Chinese certified public accountants, shall submit the same to the general meeting or the relevant competent authority for confirmation.

The liquidation group shall, within 30 days after obtaining confirmation from the general meeting or the relevant competent authority, submit the aforesaid documentation to the company registration authority, and apply to cancel registration of the Company and announce termination of the Company.

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## **Chapter 20 Procedure for Amending Articles of Association**

**Article 180** The Company may amend the Articles of Association pursuant to the laws, administrative regulations, Listing Rules and the Articles of Association.

**Article 181** If the amendment to the Articles of Association involves any content of *Mandatory Provisions*, the said amendment shall be subject to approval by the company examination and approval authority authorized by the State Council and the securities regulatory authority under the State Council; if the amendment involves registration of the Company, the involved change shall be registered pursuant to law.

## Chapter 21 Notice

**Article 182** The notice of the Company may be served as follows:

- (I) By personal delivery;
- (II) By post;
- (III) By fax or email;
- (IV) By announcement on the website designated by the Company and the Hong Kong Stock Exchange in accordance with the laws, administrative regulations and listing rules of the stock exchange at the location where the Company's shares are listed;
- (V) By bulletin;
- (VI) By other means specified beforehand by the Company or the recipient or approved by the recipient after receiving the notice;
- (VII) By other means approved by the relevant regulatory authority at the location where the Company's shares are listed or stipulated in the Articles of Association.

Save as otherwise specified in the context, the "announcement" as mentioned herein, in respect of the announcement sent to holders of domestic shares or required to be sent in China pursuant to relevant regulations and the Articles of Association, refers to announcement published in the newspapers and periodicals in China, which shall be as specified in PRC laws and regulations or designated, approved or permitted by the securities regulatory authority under the State Council; in respect of the announcement sent to holders of H shares of the Company or required to be sent in Hong Kong pursuant to relevant regulations and the Articles of Association, the announcement shall be published in the newspapers and periodicals and/or other designated media (including websites) as required by the relevant listing rules.

Save as otherwise specified in the Articles of Association, if the Company sends the notice to the holders of H shares by announcement, it shall, according to the requirements of the Listing Rules, submit an electronic version that can be immediately published to the Hong Kong Stock Exchange via the electronic publication system of the Hong Kong Stock Exchange on the same day, so that it can be published on the website of the Hong Kong Stock Exchange, or publish the announcement in the newspapers and periodicals according to the requirements of

the Listing Rules (including publishing ads in newspapers and periodicals). The announcement shall also be published on the Company's website. Moreover, save as otherwise specified in the Articles of Association, the notice shall be served by personal delivery or prepaid mail to the addresses of all the holders of overseas listed foreign shares in the shareholders' register, so that the shareholders are fully notified and have sufficient time to exercise their rights or act as per the notice.

The holders of overseas listed foreign shares of the Company may choose in written form to obtain (by email or by post) the information of the Company that the Company shall send to the shareholders, and may choose to receive either or both of the Chinese and English versions. They may also change the method for receiving the aforesaid information and the language version to be received as per appropriate procedures by sending a written notice to the Company in advance within a reasonable period.

If any shareholder or director wants to prove he/she has sent any notice, document, information or written statement to the Company, he/she shall provide evidence proving that the relevant notice, document, information or written statement has been served in a usual way or by prepaid mail to the correct address within the specified time.

Although the preceding paragraph specifies that the Company shall provide and/or send the information of the Company to the shareholders in written form, regarding the method used by the Company to provide and/or send information of the Company to the shareholders according to the requirements of the Listing Rules of the Hong Kong Stock Exchange, if the Company has obtained the shareholders' prior written consent or implied consent according to the relevant laws and regulations and the Listing Rules of the Hong Kong Stock Exchange amended from time to time, the Company may send or provide the information of the Company to its shareholders in an electronic way or by announcement on its website. Information of the Company includes but is not limited to: circular, annual report, interim report, notice of a general meeting and other information set out in the Listing Rules of the Hong Kong Stock Exchange.

**Article 183** If the notice is sent by post, it is only required to specify the address and prepaid postage and put the notice in the envelope, and putting the envelope enclosing the said notice into the mailbox shall be deemed as sending out the notice, and the notice shall be deemed as served 48 hours after it is sent out.

## Chapter 22 Settlement of Disputes

**Article 184** The Company shall settle disputes following the rules below:

- (I) In the event of any dispute or claim between the Company and a director, supervisor or senior executive, between a holder of overseas listed foreign shares and the Company, between a holder of overseas listed foreign shares and a director, supervisor or senior executive of the Company, and between a holder of overseas listed foreign shares and a holder of domestic shares arising from rights and obligations specified in the Articles of Association, contracts concluded according to Articles 144 and 145 of the Articles of Association, *Company Law* and other relevant laws and administrative regulations and relating to the affairs of the Company, the parties concerned shall submit the said dispute or claim for arbitration.

The aforesaid dispute or claim submitted for arbitration shall be the entire dispute or claim; all the persons who complain for the same reason or who are required to participate in the settlement of the dispute or claim shall accept the arbitration award if they are the Company or its shareholders, directors, supervisors or senior executives.

Disputes relating to definition of shareholders and shareholders' register may be settled by means other than arbitration.

- (II) The applicant for arbitration may select China International Economic and Trade Arbitration Commission for arbitration following the arbitration rules thereof or select Hong Kong International Arbitration Centre for arbitration following the securities arbitration rules thereof. After the applicant for arbitration submits the dispute or claim for arbitration, the other party shall accept arbitration at the arbitral body selected by the applicant.

If the applicant for arbitration selects Hong Kong International Arbitration Centre for arbitration, either party may request that the arbitration be conducted in Shenzhen following the securities arbitration rules of Hong Kong International Arbitration Centre.

- (III) Settlement of disputes or claims set out in (I) by way of arbitration shall be governed by PRC laws save as otherwise specified by laws and administrative regulations.
- (IV) The arbitration award made by the arbitral body shall be final and binding on both parties.
- (V) The said arbitration agreement is reached between the directors or senior executives and the Company, with the Company representing both itself and its shareholders.

(VI) Any arbitration submitted shall be deemed as authorizing the arbitration tribunal to conduct public hearing and announce the arbitration award.

## **Chapter 23 Supplementary Provisions**

**Article 185** The phrases “more than”, “within” and “less than” as mentioned in the Articles of Association are inclusive while “exceeding” and “beyond” are exclusive.

**Article 186** The meaning of the certified public accountants in the Articles of Association is the same as that of “auditors”.

**Article 187** All the circulars or other documents that the Company shall submit to the Hong Kong Stock Exchange shall be compiled in English or attached with a signed and certified English version.

The Articles of Association shall be executed in Chinese. In the event of any conflict between the Chinese version and other language versions, the Chinese version shall prevail.

Should there be any inconsistency between the Articles of Association and relevant laws, regulations, normative documents and the listing rules of the stock exchange on which the Company’s shares are listed in respect of the issue, the latter shall prevail.

Any matters not covered herein shall be handled in accordance with the relevant laws, regulations, normative documents, the listing rules of the stock exchange on which the Company’s shares are listed.

**Article 188** The Articles of Association shall be subject to the interpretation of the Board of the Company, and shall come into effect as from the date on which the Company’s shares are listed on the Hong Kong Stock Exchange.