

*Important note: The Articles of Association is prepared in both English and Chinese versions. In case of any discrepancies or inconsistencies, the Chinese version shall prevail.*

ARTICLES OF ASSOCIATION  
OF  
ZHEDA LANDE SCITECH LIMITED

(Approved by Special Resolution at the Shareholders' General Meeting Held on April 20, 2002)  
(Amended by Special Resolution Adopted at the Shareholders' General Meeting Held on September 20, 2002)  
(Amended by Special Resolution Adopted at the Shareholders' General Meeting Held on May 16, 2003)  
(Amended by Special Resolution Adopted at the Shareholders' General Meeting Held on June 11, 2004)  
(Amended by Special Resolution Adopted at the Shareholders' General Meeting Held on January 24, 2005)  
(Amended by Special Resolution Adopted at the Shareholders' General Meeting Held on October 12, 2007)  
(Amended by Special Resolution Adopted at the Shareholders' General Meeting Held on November 23, 2015)

# **Articles of Association of Zheda Lande Scitech Limited**

## **CHAPTER 1 GENERAL PROVISIONS**

1. Zheda Lande Scitech Limited (hereinafter referred to as the “Company”) is a joint stock limited company incorporated as per the Company Law of the People’s Republic of China (hereinafter referred to as “Company Law”), Interim Provisions on Setting Foreign Invested Joint Stock Company and other relevant laws and administrative regulations. MP1

The Company, as approved by the document Check and Approval on the Agreement to Change the Establishment of Zheda Lande Scitech Limited (Zhe Shang Shi [2001] No. 64) issued by the leading Group for Listing of Enterprise of the People’s Government in Zhejiang Province, was changed from Hangzhou Lande Electronic Information Technology Co., Ltd. Registration for the Company was completed in Zhejiang Administration of Industry and Commerce, and its business license was acquired on September 20, 2001 with number: 3300001008170.

The domestic shareholders of the Company: Chen Ping, Insigma Technology Co., Ltd., Guoheng Fashion Media Technology Group Co., Ltd., Hangzhou Gongjia Information Technology Co., Ltd., Chen Guocai, Wang Jincheng, Wang Leibo, Huo Zhonghui, Jin Lianfu and Shanghai Longtail Investment Management Co., Ltd.

Note: 1. “MP” refers to “The Articles of Association of Companies Seeking a Listing Outside the PRC Prerequisite Clauses”.

2. “A” refers to “Appendix for Rules of Listing in Hong Kong Stock Exchange”.

2. Registered Chinese name of the Company: 浙江浙大網新蘭德科技股份有限公司 MP2  
English name of the Company: Zheda Lande Scitech Limited
3. Company address: 108 Gu Cui Road, Hangzhou City, Zhejiang Province, the PRC MP3  
Postal code: 310012  
Telephone No.: 86-571-88480000  
Fax No.: 86-571-88480108

4. The Company's legal representative is the Chairman of the Board of Directors of the Company. MP4

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

6. The Company is an independent legal person under the jurisdiction and protection of the laws and administrative regulations of the People's Republic of China.

7. On September 20, 2002, the Company held the extraordinary general meeting. In accordance with the factual status of overseas listed foreign share, the Company made amendments to the original Articles of Association (the "original Articles of Association") and formulated the current Articles of Association (the "Articles of Association") at the extraordinary general meeting held on April 20, 2002.

After these Articles of Association come into effect, the original Articles of Association shall be superseded by these Articles of Association.

8. The Articles of Association of the Company shall be a legally binding document that regulates the Company's organization and activities, the rights and obligations between the Company and its shareholders as well as among the shareholders once it goes into effect. MP6

9. The Articles of Association are binding on the Company and its shareholders, Directors, Supervisors, General Manager and other senior management personnel, all of whom may, according to the Articles of Association, assert rights in respect of the affairs of the Company. MP7

A shareholder may take action against the Company pursuant to the Articles of Association, and vice versa. A shareholder may also take action against another shareholder, the Directors, Supervisors, General Manager and other senior management personnel of the Company pursuant to the Articles of Association.

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

10. The Company may invest in other limited liability companies and joint stock limited companies, and its liabilities therefor shall be limited to the amount of the capital invested. MP8

Subject to the approval of companies approving departments authorised by the State Council, the Company may, in accordance with its operational and

managerial requirements, operate as a holding company in accordance with paragraph 2 of Article 12 of the Company Law.

11. All the capital of the Company shall be divided into shares of equal value and shareholders' liability shall be limited to their shares in the Company. The Company shall be liable for its debt with all of its assets.
12. Provided that all applicable laws and administrative regulations of the People's Republic of China ("PRC") are complied with, the Company has the power to raise capital and borrow money by way of, among other means, the issue of debentures, the charging or pledging of part or whole of the Company's business or assets and other rights permitted by PRC laws and administrative regulations.

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

13. The business objectives of the Company are: Innovation, quality, excellence. MP9
14. The business scope of the Company shall be in accordance with the items approved by the registration authority with which the Company is registered. MP10

Business scope of the Company includes: technology development and pertinent services; computer software development, network engineering; sales of self-produced products.

15. Subject to the requisite approval, the Company may adjust its scope of business, having regard to the changes in the domestic and international markets, the business needs in the country and overseas and the development potential of the Company itself.

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

16. There must, at all times, be ordinary shares in the Company; the Company may arrange other types of shares according to the needs of the Company, upon the approval of the company approval authority authorized by the State Council. MP11
17. The shares issued by the Company shall each have a par value of RMB0.1. "Renminbi" referred to in the preceding paragraph means the lawful currency of the PRC. MP12
18. Subject to the approval of the securities regulatory authorities of the State Council, the Company may issue shares to Domestic Investors and Foreign Investors. MP13

“Foreign Investors” mean those investors who subscribe for the Company’s shares and who are located in foreign countries and Hong Kong Special Administration Region, Macao Special Administration Region and Taiwan. “Domestic Investors” mean those investors who subscribe for the Company’s shares and who are located within the territory of the PRC (except the areas referred to above).

19. Shares which the Company issues to Domestic Investors for subscription in RMB are called “Domestic Shares”; shares which the Company issues to Foreign Investors for subscription in foreign currencies are called “Foreign Shares”. Foreign Shares which are listed overseas are called “Overseas Listed Foreign Shares”. MP14  
A3-9

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

20. Domestic Shares issued by the Company shall be called “A Shares”. Overseas Listed Foreign-Invested Shares issued by the Company shall be called “H Shares”. H Shares are shares which have been admitted for listing on the Stock Exchange, the par value of which is denominated in Renminbi and which are subscribed for and traded in Hong Kong dollars.
21. The registered capital of the Company is 506,546,170 ordinary shares, where: (1) 244,421,170 A Shares were issued to the domestic shareholders, (2) 262,125,000 H Shares were issued to H Shareholders. MP15
22. The share capital structure of the Company is 506,546,170 ordinary shares, of which 244,421,170 shares are Renminbi ordinary shares subject to trading restriction, accounting for 48.25% of the issued capital of the Company; 262,125,000 shares are tradable shares without selling restriction, accounting for 51.75% of the issued capital of the Company. MP16  
A3-9
23. The Company’s Board of Directors may take all necessary action for the respective issuance of the Overseas Listed Foreign Shares and Domestic Shares after the proposals for issuance of the same have been approved by the securities authority of the State Council. MP17

The Company may implement its proposal to issue Overseas Listed Foreign Shares and Domestic Shares pursuant to the preceding paragraph within fifteen months from the date of approval by the China Securities Supervisory and Control Commission.

24. When the total number of shares stated in the proposal for the issuance of shares include Overseas-Listed H Shares and Domestic Shares, such shares shall be fully subscribed for in a single time at their respective offerings. If the shares cannot be fully subscribed for in a single time due to special circumstances, the shares may, subject to approval by the securities regulatory authority under the State Council, be issued in separate batches. MP18

25. The registered capital of the Company is RMB50,654,417. MP19

26. The Company may, based on its operation and development needs, authorise the increase of its capital pursuant to the Articles of Association. MP20

The Company may increase its capital in the following ways:

(1) by offering new shares for subscription by unspecified investors;

(2) by placing new shares to its existing shareholders;

(3) by allotting bonus shares to its existing shareholders;

(4) by any other means which is permitted by laws and administrative regulations.

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

27. Unless otherwise stipulated in the relevant laws or administrative regulations, shares in the Company shall be freely transferable and are not subject to any lien. MP21  
A3-1(2)

28. Domestic-Invested Shares and Overseas-Listed Foreign-Invested Shares shall be purchased, sold, donated, inherited and charged on in accordance with the PRC laws and the Company's Articles of Association. The transfer and transmission of the shares shall be registered in accordance with the relevant regulations.

29. Any H shareholder shall use the standard transfer forms and documents specified by the HKEX to transfer his shares in whole or in part. The transfer shall be signed by the transferor and the transferee manually or by typewriting. A3-1(4)

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

30. According to the provisions of the Articles of Association, the Company may reduce its registered MP22

31. The Company must prepare a balance sheet and an inventory of assets when it reduces its registered capital. MP23

The Company shall notify its creditors within ten (10) days of the date of the Company's resolution for reduction of capital and shall publish an announcement at least three (3) times in the newspapers within thirty (30) days of the date of such resolution. A creditor has the right within thirty (30) days of receipt of the notice from the Company or, in the case of a creditor who does not receive such notice, within ninety (90) days of the date of the first announcement, to require the Company to repay its debts or to provide a corresponding guarantee for such debt. A3-7(1)

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

32. The Company may, in accordance with the procedures set out in the Articles of Association and with the approval of the relevant governing authority of the State, repurchase its outstanding shares under the following circumstances: MP24

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

33. The Company may repurchase shares in one of the following ways, with the approval of the relevant governing authority of the State: MP25

- (1) by making an offer for the repurchase of shares to all its shareholders on a pro rata basis;
- (2) by repurchasing shares through public dealing on a stock exchange;
- (3) by repurchasing shares outside of the stock exchange by means of an off-market agreement.

34. The Company must obtain the prior approval of the shareholders in a general meeting in the manner stipulated in the Articles of Association before it can repurchase shares outside the stock exchange by means of an off-market agreement. The Company may, by obtaining the prior approval of the shareholders in a general meeting (in the same manner), rescind or vary any contract which has been so entered into or waive any right thereof. MP26

A contract for the repurchase of shares referred to in the preceding paragraph includes (but not limited to) an agreement to become liable to repurchase shares or an agreement to have the right to repurchase shares.

The Company shall not assign any contract for the repurchase of its shares or any right contained in such agreement.

35. Upon repurchase of shares according to laws, the Company shall cancel those shares and apply to register the change of the registered capital with original companies' registration authorities within the period required by laws and administrative regulations. MP27

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

36. Unless the Company is in the course of liquidation, it must comply with the following provisions in relation to repurchase of its outstanding shares: MP28

- (1) where the Company repurchases shares at par value, payment shall be made out of book surplus distributable profits of the Company or out of proceeds of a new issue of shares made for that purpose;
- (2) where the Company repurchases shares of the Company at a premium to its par value, payment up to the par value may be made out of the book surplus of distributable profits of the Company or out of the proceeds of a new issue of shares made for that purpose. Payment of the portion in excess of the par value shall be effected as follows:
  - (i) if the shares being repurchased were issued at par value, payment shall be made out of the book surplus of distributable profits of the Company;
  - (ii) if the shares being repurchased were issued at a premium to its par value, payment shall be made out of the book surplus of distributable profits of the Company or out of the proceeds of a new issue of shares made for that



purpose, provided that the amount paid out of the proceeds of the new issue shall not exceed the aggregate amount of premiums received by the Company on the issue of the shares repurchased nor shall it exceed the book value of the Company's capital common reserve fund account (including the premiums on the new issue) at the time of the repurchase;

(3) the Company shall make the following payments out of the Company's distributable profits:

(i) payment for the acquisition of the right to repurchase its own shares;

(ii) payment for variation of any contract for the repurchase of its shares;

(iii) payment for the release of its obligations under any contract for the repurchase of.

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

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

37. The Company and its subsidiaries shall not, at any time, provide any form of financial assistance to a person who is acquiring or is proposing to acquire shares in the Company. This includes any person who directly or indirectly incurs any obligations as a result of the acquisition of shares in the Company. MP29

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

This Article shall not apply to the circumstances specified in Article 39 of this Chapter.

38. For the purpose of this Chapter, "financial assistance" includes (but not limited to) the following: MP30

(1) gift;

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

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

39. The following acts shall not be deemed to be acts prohibited by Article 37 of this Chapter: MP31

- (1) the provision of financial assistance by the Company where the financial assistance is given in good faith in the interests of the Company, and the principal purpose of which is not for the acquisition of shares in the Company, or the giving of the financial assistance is an incidental part of a master plan of the Company;
- (2) the lawful distribution of the Company's assets as dividend;
- (3) the distribution of dividends in the form of shares;
- (4) a reduction of registered capital, a repurchase of shares of the Company or a reorganisation of the shareholding structure of the Company effected in accordance with the Articles of Association;
- (5) the provision of loans by the Company within its scope of business and in the ordinary course of its business, where the provision of loans falls within part of the scope of business of the Company (provided that the net assets of the

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

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

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

40. The share certificates of the Company shall be in registered forms.

MP32

The share certificates of the Company shall contain the following particulars:

- (1) Name of the Company;
- (2) Incorporation date of the Company;
- (3) Class, par value and the number of the shares that each share certificate represents;
- (4) Serial number of the share certificates;
- (5) Other particulars required by the Company Law and Special Regulation;
- (6) Other particulars required by the stock exchange(s) where the shares are listed.

41. Security chop or digitally printed chop are stamped on them as authorised by the Board of Directors. Company chop on shares should be authorised by the Board of Directors. Signatures of Director of the Company and other related senior management personnel can be printed on the shares as well.

MP33  
A3-2(1)

42. The Company shall keep a register of shareholders which shall contain the following items:

MP34

- (1) the name (title) and address (residence), the occupation or nature of each shareholder;
- (2) the class and quantity of shares held by each shareholder;

- (3) the amount paid-up on or agreed to be paid-up on the shares held by each shareholder;
- (4) the share certificate numbers of the shares held by each shareholder;
- (5) the date on which each person was registered as a shareholder;
- (6) the date on which any shareholder ceased to be a shareholder.

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

43. The Company may, in accordance with the mutual understanding and agreements made between the securities regulatory authorities of the State Council and overseas securities regulatory organisations, maintain the register of shareholders of Overseas Listed Foreign Shares overseas and appoint overseas agents to manage such register of shareholders. Such original register of shareholders of Overseas Listed Foreign Shares listed in Hong Kong shall be kept in Hong Kong. MP35

A duplicate register of shareholders for the holders of Overseas Listed Foreign Shares shall be maintained at the Company's residence. The appointed overseas agents shall ensure consistency between the original and the duplicate register of shareholders at all times. A11c-1(b)

If there is any inconsistency between the original and the duplicate register of shareholders for the holders of Overseas Listed Foreign Shares, the original register of shareholders shall prevail.

44. The Company shall have a complete register of shareholders. MP36

It shall comprise the following parts:

- (1) the register of shareholders which is maintained at the Company's residence (other than those share registers which are described in sub-paragraphs (2) and (3) of this Article);
- (2) the registers of holders of Overseas Listed Foreign Shares maintained at the place of the securities exchanges on which the shares are listed, it is required that where any such shares are listed on Hong Kong Stock Exchange, the register in relation to such listed shares shall be maintained in Hong Kong;

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

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

Amendments or rectification of the register of shareholders shall be made in accordance with the laws of the place where the register of shareholders is maintained.

46. All Overseas Listed Foreign Shares having been fully paid for and listed in Hong Kong can be transferred freely based on the Articles of Association. However, the following conditions have to be fulfilled, failing which the Board of Directors has the right to reject any transfer document without giving any reason: A3-1(2)

(1) lowermost fee prescribed by the Hong Kong Stock Exchange and the Board of Directors having been paid to the Company, for the purpose of registration of any instrument of transfer and other documents which are related to or will affect the title to the shares; A3-1(1)

(2) the instrument of transfer relates only to Overseas Listed Foreign Shares listed in Hong Kong;

(3) payment in full of any stamp duty due on the instrument of transfer;

(4) provision of the relevant share certificates and any other evidence reasonably required by the Board of Directors to prove the transferor's right to make the transfer;

(5) if the shares are to be transferred to joint holders, the number of joint holders shall not exceed four; A3-1(3)

(6) the relevant shares of the Company are free from all liens; A3-1(2)

(7) Transfer document shall be the standard transfer forms as stipulated by the Hong Kong Stock Exchange. A3-1(4)

If the board of directors shall refuse to register a transfer of any share, it shall, within two months after the date on which the formal application for transfer was

lodged with the Company, send to the transferor and the transferee a notice of refusal to register the transfer of such share.

47. Changes from shares transfer may not be entered in the register of shareholders thirty (30) days prior to the date of a shareholder' general meeting or five (5) days ahead the record date set for the purpose of distribution of dividends. MP38
48. When the Company needs to convene a shareholders' meeting for the purposes of determination, dividend distribution, liquidation or any other purposes which need to determine shareholdings, the Board of Directors shall determine a record date for the determination of shareholdings. The shareholders of the Company shall be such persons who appear in the register of shareholders at the close of such record date. MP39
49. Any person who disputes the register of shareholders and asks for inclusion of his name in or removal of his name from the register of shareholders may apply to a court of competent jurisdiction for rectification of the register. MP40
50. A person who is a registered shareholder or who claims to be entitled to have his name (title) entered in the register of shareholders in respect of shares in the Company may, if his share certificate (the "original certificate") relating to the shares is lost, he may apply to the Company for a replacement share certificate in respect of such shares (the "Relevant Shares"). MP41

Application by a holder of A Shares, who has lost his share certificate, for a replacement share certificate shall be dealt with in accordance with Article 150 of the Company Law.

Application by a holder of Overseas Listed Foreign Shares, who has lost his share certificate, for a replacement share certificate may be dealt with in accordance with the law of the place where the original register of shareholders of holders of Overseas Listed Foreign Shares is maintained, the rules of the stock exchange or other relevant regulations.

The issue of a replacement share certificate to a holder of H Shares, who has lost his share certificate, shall comply with the following requirements:

- (1) The applicant shall submit an application to the Company in the prescribed form accompanied by a notarial certificate or a statutory declaration, of which the contents shall include the grounds upon which the application is made and the circumstances and evidence of the loss, and the declaration showing that no

other person is entitled to have his name entered in the register of shareholders in respect of the Relevant Shares.

- (2) The Company has not received any declaration made by any person other than the applicant declaring that his name shall be entered in the register of shareholders in respect of such shares before it decides to issue a replacement share certificate to the applicant.
- (3) The Company shall, if it intends to issue a replacement share certificate, publish a notice of its intention to do so at least once every thirty (30) days within a period of ninety (90) consecutive days in such newspapers as may be prescribed by the Board of Directors.
- (4) The Company shall, prior to publication of its intention to issue a replacement share certificate, deliver to the stock exchange on which its shares are listed, a copy of the notice to be published and may publish the notice upon receipt of confirmation from such stock exchange that the notice has been exhibited in the premises of the stock exchange. Such notice shall be exhibited in the premises of the stock exchange for a period of ninety (90) days.

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

- (5) If, by the expiration of the 90-day period referred to in paragraphs (3) and (4) of this Article, the Company has not received any objection from any person in respect of the issuance of the replacement share certificate, it may issue a replacement share certificate to the applicant pursuant to his application.
- (6) Where the Company issues a replacement share certificate pursuant to this Article, it shall forthwith cancel the original share certificate and record the cancellation of the original share certificate and issuance of a replacement share certificate in the register of shareholders accordingly.
- (7) All expenses relating to the cancellation of an original share certificate and the issuance of a replacement share certificate shall be borne by the applicant and the Company is entitled to refuse to take any action until reasonable guarantee is provided by the applicant therefor.

51. Where the Company issues a replacement share certificate pursuant to the Articles of Association, as for a bona fide purchaser obtaining new share certificates MP42

referred to above or a shareholder registered as a owner of the shares (in case of a bona fide purchaser), his name (title) shall not be removed from the register of shareholders.

52. The Company shall not be liable for any damages sustained by any person from his cancellation of the original share certificate or the issuance of the replacement share certificate unless the Chairman is capable to prove that the Company has acted in a deceitful manner. MP43

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

53. A shareholder of the Company is a person who lawfully holds shares in the Company and whose name (title) is entered in the register of shareholders. MP44

For the joint shareholders, if one of the joint shareholders has passed away, the surviving shareholders shall be deemed by the Company to have the ownership of the related shares, but the Board of Directors is entitled to ask for the provision of the suitable death certificate for the purpose of revision of the shareholders' register. For joint shareholders, only the shareholder named first in the shareholders' register has the right to receive the share certificates of the related shares, receive the notice of the Company, attend the shareholders' general meeting and exercise his voting right; while, any notice delivered to the said shareholder shall be deemed as if the notice has been delivered to all of the joint shareholder of the related shares.

A shareholder shall enjoy rights and assume obligations according to the class and amount of shares held by him. Shareholders who hold shares of the same class shall enjoy the same rights and assume the same obligations. A3-9

54. The shareholders of ordinary shares of the Company shall enjoy the following rights: MP45
- (1) the right to receive dividends and other distributions in proportion to their shareholdings;
  - (2) the right to attend or appoint a proxy to attend shareholders' general meetings and to exercise voting rights;
  - (3) the right to supervise the Company's business operations, the right to present proposals or raise queries;
  - (4) the right to transfer shares in accordance with laws, administrative regulations



and provisions of the Articles of Association;

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

(i) the right to obtain a copy of the Articles of Association, subject to payment of costs;

(ii) the right to inspect and copy, subject to payment of a reasonable fee:

(a) all parts of the register of shareholders;

(b) personal particulars of each of the Company's Directors, Supervisors, General Manager and other senior management personnel, including: present and former name and alias; principal address (place of residence); nationality; primary and all other part-time occupations and duties; and identification documents and the numbers thereof;

(c) statement of the Company's share capital;

(d) reports showing the aggregate par value, quantity, highest and lowest price paid in respect of each class of shares repurchased by the Company since the last accounting year as well as the aggregate amount paid by the Company for this purpose;

(e) minutes of shareholders' general meeting.

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

(7) other rights conferred by laws, administrative regulations and the Articles of Association.

No power shall be taken to freeze or otherwise impair any of the rights attaching to any share by reason only that the person or persons who are interested directly or indirectly therein have failed to disclose their interests to the Company.

A3-12

55. The shareholders of ordinary shares of the Company shall assume the following obligations:

MP46

- (1) to comply with the Articles of Association;
- (2) to pay subscription money according to the number of shares subscribed and the method of subscription;
- (3) other obligations imposed by laws, administrative regulations and the Articles of Association.

Shareholders are not liable to make any further contribution to the share capital other than according to the terms which were agreed by the subscriber of the relevant shares at the time of subscription.

56. In addition to the obligations imposed by laws and administrative regulations or required by the listing rules of the stock exchange on which the Company's shares are listed, a controlling shareholder (as defined in Article 49) shall not exercise his voting rights in respect of the following matters in a manner prejudicial to the interests of all or part of the shareholders of the Company: MP47

- (1) act honestly in the best interests of the Company in removing a Director or Supervisor;
- (2) to approve the expropriation by a Director or Supervisor (for his own benefit or for the benefit of another person) of the Company's assets in any way, including (but not limited to) opportunities which are beneficial to the Company;
- (3) to approve the expropriation by a Director or Supervisor (for his own benefit or for the benefit of another person) of the individual interest of other shareholders, including (but not limited to) rights to distributions and voting rights (excluding a restructuring which has been submitted for approval by the shareholders in a general meeting in accordance with the Articles of Association).

57. For the purpose of the preceding provision, a "controlling shareholder" means a person who satisfies any one of the following conditions: MP48

- (1) a person who, acting alone or in concert with others, has the power to elect more than half of the Board of Directors;
- (2) a person who, acting alone or in concert with others, has the power to exercise thirty (30) per cent or more or has power to control the exercise of thirty (30) per cent or more of the voting rights in the Company;

- (3) a person who, acting alone or in concert with others, holds thirty (30) per cent or more of the issued and outstanding shares of the Company;
- (4) a person who, acting alone or in concert with others, has de facto control of the Company in any other way.

## **CHAPTER 8 GENERAL MEETINGS**

58. The shareholders' general meeting is the organ of authority of the Company and shall exercise its functions and powers in accordance with laws. MP49

59. The shareholders' general meeting shall exercise the following functions and powers: MP50

- (1) to decide on the Company's business policies and investment plans;
- (2) to elect and replace Directors and to decide on matters relating to emolument of Directors;
- (3) to elect and replace the supervisors who are to be appointed from among the shareholders' representatives and decide on matters concerning the emolument of supervisors;
- (4) to consider and approve reports of the Board of Directors;
- (5) to consider and approve reports of the Board of Supervisors;
- (6) to consider and approve the Company's annual financial budget and final accounts;
- (7) to consider and approve the Company's profit distribution proposals and proposals for making up losses;
- (8) to resolve on the increase or reduction of the Company's registered capital;
- (9) to resolve on matters such as merger, division, dissolution and liquidation of the Company;
- (10) to resolve on the issuance of debentures by the Company;

- (11) to resolve on the appointment, removal or non-renewal of the services of an accounting firm for the Company;
  - (12) to amend the Articles of Association;
  - (13) to consider proposals submitted by shareholders representing more than five per cent. (including 5%) of voting shares of the Company;
  - (14) other matters which are required by laws, administrative regulations and the Articles of Association to be resolved by the shareholders' general meeting.
60. The Company shall not enter into any contract with any person other than a Director, Supervisor, General Manager or other senior management personnel of the Company whereby the management and administration of the whole or any substantial part of any business of the Company is to be handed over to such a person without the prior approval of shareholders in a general meeting. MP51
61. Shareholders' general meetings can be annual general meetings or extraordinary general meetings. Shareholders' general meetings shall be convened by the Board of Directors. The annual shareholders' general meeting shall be convened once a year, and shall take place within six (6) months of the end of the previous accounting year. MP52
- The Board of Directors shall convene an extraordinary general meeting within two (2) months after the occurrence of any one of the following circumstances:
- (1) where the number of Directors is less than the number stipulated in the Company Law or is no more than two-thirds of the number required by the Articles of Association;
  - (2) where the accrued losses of the Company amount to one-third of its total share capital;
  - (3) where shareholders holding ten (10) per cent. or more of the Company's issued shares carrying the right to vote make a request in writing to convene an extraordinary general meeting;
  - (4) where the Board of Directors considers it necessary or the Board of Supervisors proposes to call for such a meeting.
62. Forty-five (45) days notice of general meetings shall be given to each shareholder by corporate communication, and the notice should include the date, time and place MP53

of the meeting to be held to the shareholder as recorded in the register of shareholders. For shareholders who intend to attend the shareholders' meetings should give a written notice to the Company for twenty (20) days before the date of the shareholders' meetings.

63. In an annual general meeting of the Company, shareholders holding more than five per cent. (including 5%) of total voting shares of the Company are entitled to propose new resolutions in written form. The Company shall include those matters which are within the scope of duties of the general meeting into the agenda of such meeting. MP54

64. Based on the written replies received twenty (20) days before a shareholders' general meeting, the Company shall calculate the number of shares represented by the shareholders who have intention to attend the general meeting. Where the number of voting shares represented by those shareholders reaches half of the Company's total number of such shares, the Company may convene the shareholders' general meeting. Otherwise, the Company shall, within five (5) days, inform the shareholders again of the motions to be considered, the date and place of the meeting by means of public announcement. After making the announcement, the shareholders' general meeting may be convened. MP55

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

65. Notice of general meetings shall comply with the following requirements: MP56

- (1) present corporate communication: presented in person or sending by mail or by means of electronic announcement at official website or Company website;
- (2) be in specific place, date and time of the meeting;
- (3) state the motions to be discussed at the meeting;
- (4) provide such information and description as are necessary for the shareholders to exercise an informed judgment on the proposals before them. Without limiting the generality of the foregoing, where a proposal is made to amalgamate the Company with another, to repurchase the shares of the Company, to reorganise its share capital, or to restructure the Company in any other manner, the terms of the proposed transaction must be provided in detail together with copies of the proposed agreement, if any, and the cause and effect of such a proposal must be properly explained;

- (5) contain a disclosure of the nature and extent, if any, of material interests of any Director, Supervisor, General Manager or other senior management personnel in the transaction proposed and the effect of the proposed transaction on him in his capacity as shareholder in so far as it is different from the effect on the other shareholders of the same class;
- (6) contain the full text of any special resolution proposed for the meeting;
- (7) contain a specific statement that a shareholder entitled to attend and vote is entitled to appoint one or more proxies to attend and vote instead of him and that a proxy need not be a shareholder;
- (8) state the time within which and the address to which the relevant instruments appointing the proxies for the meeting are to be delivered.

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

MP57  
A3-7(1) &  
(2)(a)

The public announcement referred to in the preceding paragraph shall be published in one (1) or more national newspapers designated by the State Council Securities Policy Committee within the interval of forty five (45) days to fifty (50) days before the date of the meeting; after the publication of such announcement, the holders of Domestic Invested Shares shall be deemed to have received the notice of the relevant shareholders’ general meeting.

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

A3-13(1),  
(2)(a) &  
(b)

Such power to dispose of the shares shall not be exercised unless the following requirements are fulfilled for shareholders of overseas listed foreign shares with whom it loses contact with:

- (1) Dividends of such shares have been declared for at least three times within a 12-year period and the dividends have not been claimed by anyone during such period; and

(2) Upon expiry of the 12-year period, the Company publishes an announcement on the newspaper, stating its intention to dispose of the shares, and notifies the stock exchange.

67. The accidental omission to give notice of a meeting to, or the failure to receive the notice of a meeting by any person entitled to receive such notice, shall not invalidate the meeting or the resolutions adopted thereat. MP58

68. Any shareholder entitled to attend and vote at a shareholders' general meeting of the Company shall be entitled to appoint one or more persons (who need not be a shareholder or shareholders) as his proxies to attend and vote instead of him. A proxy so appointed shall enjoy the following rights pursuant to authorisation by that shareholder: MP59

(1) the shareholders' right to speak at the general meeting;

(2) the right to demand or join in demanding a poll;

(3) the right to vote by hand or on a poll, but a proxy of a shareholder who has appointed more than one proxy may only vote on a poll.

If a shareholder is a recognized clearing house (or its proxy) defined in the Securities and Futures Ordinance (Chapter 571 of laws of Hong Kong), it could authorize one or more persons it considers appropriate as its representative at any shareholders' general meeting or any class shareholders' meetings; however, if more than one person are so authorized, the authorization letter should specify the number and class of shares relating to each of the authorized persons. The authorized person can represent a recognized clearing house (or its proxy) to exercise its rights in the same manner as it is an individual shareholder of the Company.

69. The appointment of a proxy by a shareholder shall be in writing and signed by the appointer or his attorney duly authorised in writing, or in the case of a legal person, shall be either affixed with its legal person seal or signed by a director or an officer or a duly authorised attorney. MP60  
A3-11(2)

70. The instrument appointing a proxy shall be deposited at the residence of the Company or at some other place specified for that purpose in the notice of meeting no later than twenty-four (24) hours prior to the meeting at which the proxy is authorised to vote or twenty-four (24) hours before the time specified for the voting. Where such an instrument is signed by a person under power of attorney on MP61

behalf of the appointor, that power of attorney or other authorisation documents shall be notarially certified. The notarially certified power of attorney and other authorisation documents shall, together with the instrument appointing the proxy, be deposited at the Company's residence or at some other place specified for that purpose in the notice of meeting.

If the appointor is a legal person, its legal representative or a person appointed by its Board of Directors or other decision-making body shall be entitled to attend a shareholders' general meeting of the Company on behalf of the appointor as its proxy.

71. Any form issued to a shareholder by the Directors for use by him for appointing a proxy to attend and vote at a shareholders' general meeting of the Company shall be such as to enable the shareholder, according to his intention, to instruct the proxy to vote in favor of or against each resolution dealing with business to be transacted at the meeting. Such a form should contain a statement that in default of instructions the proxy may vote as he thinks fit. MP62  
A3-11(1)
72. A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous death or loss of capacity of the principal or revocation of the proxy or of the authority under which the proxy was executed, or the transfer of the share in respect of which the proxy is given, provided that no notice in writing of such death, loss of capacity, revocation or transfer shall have been received by the Company before the commencement of the meeting or adjourned meeting at which the proxy is used. MP63
73. The Company has the power to request a proxy representing any shareholders to attend the shareholders' general meeting to produce his or her own identification document. If a corporate shareholder appoints its representatives to attend a meeting, the Company has the power to request such representatives to produce his or her own identification document and copies of notarized resolutions or power of attorney authorized by its board of directors or other competent body of such corporate shareholders (except for authorized clearing house or its agents).
74. Resolutions of a shareholders' general meeting can be divided to ordinary resolutions or special resolutions. MP64

An ordinary resolution of a shareholders' general meeting shall be passed by an affirmative vote of more than half of the Company's total voting shares being held by the shareholders who are present at the meeting (including proxies). A special resolution of a shareholders' general meeting shall be passed by an affirmative vote



of more than two-thirds of the Company's total voting shares being held by the shareholders who are present at the meeting (including proxies).

75. Where any shareholder of the Company is required under the GEM Listing Rules to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted. MP65

76. At any shareholders' general meeting, a resolution shall be decided on a show of hands unless a poll is demanded: MP66

(1) by the Chairman of the meeting;

(2) by at least two shareholders present in person or by proxy entitled to vote thereat;

(3) by one or more shareholders (including proxies) present in person or by proxy and representing 10 % or more of all shares carrying the right to vote at the meeting singly or in aggregate, before or after a vote is carried out by a show of hands.

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

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

77. A poll demanded on the election of the Chairman of the meeting, or on a question of adjournment of the meeting, shall be taken forthwith. A poll demanded on any other question shall be taken at such time as the Chairman of the meeting directs before the end of this meeting, and any business other than that upon which a poll has been demanded may be proceeded with, pending the taking of the poll. The result of the poll shall be deemed to be a resolution of the meeting at which the poll was demanded. MP67

78. On a poll taken at a meeting, a shareholder (including a proxy) entitled to two or more votes need not cast all his votes in the same way. MP68

79. In the case of an equality of votes, whether on a show of hands or on a poll, the Chairman of the meeting at which the show of hands takes place or at which the poll is demanded shall have a casting vote. MP69
80. The following matters shall be resolved by an ordinary resolution at a shareholders' general meeting: MP70
- (1) work reports of the Board of Directors and the Supervisory Committee;
  - (2) profit distribution plans and loss recovery plans formulated by the Board of Directors;
  - (3) appointment and removal of members of the Board of Directors and Supervisors, their emolument and manner of payment; A3-4(3)
  - (4) annual preliminary and final budgets, balance sheets and profit and loss accounts and other financial statements of the Company;
  - (5) matters other than those which are required by laws and administrative regulations or by the Articles of Association to be adopted by special resolution.
81. The following matters shall be resolved by means of special resolution of the shareholders' general meeting; MP71
- (1) increase or reduction of the Company's share capital and the issuance of shares of any class, warrants and other similar securities;
  - (2) issuance of debentures by the Company;
  - (3) division, merger, dissolution and liquidation of the Company;
  - (4) amendment of the Articles of Association;
  - (5) other matters which, according to an ordinary resolution of the shareholders' general meeting, may have a significant impact on the Company and require adoption by means of a special resolution.
82. Shareholders seeking to convene an extraordinary general meeting or a class meeting shall proceed in accordance with the following procedure: MP72

- (1) two or more shareholders holding ten per cents (10%) or more of the shares carrying the right to vote at the meeting sought to be held may, by signing one or more counterpart requisitions stating the object of the meeting, require the Board of Directors to convene an extraordinary general meeting or a class meeting. The Board of Directors shall as soon as possible proceed to do so.

The shareholdings referred to shall be calculated as at the date of the delivery of the requisitions;

- (2) if the Board of Directors fails to issue a notice of such a meeting within thirty (30) days from the date of the receipt of the requisition, the requisitionists may themselves convene such a meeting in a manner as nearly as possible as where meetings are to be convened by the Board, provided that any meeting so convened shall not be convened after the expiration of four months from the date of receipt of the requisition by the Board.

Any reasonable expenses incurred by the requisitionists by reason of the failure of the Directors duly to convene a meeting shall be borne by the Company and shall be set off against any sums owed to the Directors in default by the Company.

83. A shareholders' general meeting shall be convened by the Chairman of the Board of Directors who shall preside as chairman of the meeting. If the Chairman is unable to attend the meeting for any reason, the Deputy Chairman of the Board of Directors shall convene and take the chair of the meeting. If both the Chairman and Deputy Chairman of the Board of Directors are unable to attend the meeting, then a Director of the Company shall be recommended by the Chairman to convene and take the chair of the meeting. If a chairman has not been designated, shareholders attending the meeting may elect a person to act as chairman. If for any reason the shareholders cannot elect a chairman, the shareholder with the greatest number of voting shares present at the meeting whether in person or by proxy shall act as chairman. MP73
84. The Chairman of a shareholders' general meeting shall be responsible for deciding whether or not a resolution has been carried. His decision shall be final and shall be announced at the meeting and recorded in the minutes. MP74
85. Where the Chairman of a shareholders' general meeting has doubt about the results of the resolution tabled for voting, he may count the number of votes cast. If no counting is made by the Chairman of the meeting, any shareholder who queries the results as announced by the Chairman shall have the right to immediately demand a counting of the votes. The Chairman shall forthwith conduct a counting of the MP75

votes as demanded.

86. If votes are counted at a shareholder's general meeting, the result of the count shall be recorded in the minute books. MP76

Minutes shall be kept in respect of all resolutions passed at a shareholder's general meeting and signed by directors present at the meeting. The minutes, together with the shareholders' attendance list and powers of attorney for attending by proxy, shall be kept at the domicile of the Company.

87. Copies of the minutes shall be available to inspection during office hours of the Company to any shareholders without charge. If a shareholder demands from the Company a copy of such minutes hereof, the Company shall send a copy to him or her within seven (7) days upon receiving such demand and the shareholder shall be responsible for reasonable charges as may be imposed. MP77

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

88. Those shareholders who hold different classes of shares are class shareholders. Holders of Domestic Shares and Overseas-Listed H Shares are, among others, shareholders of different classes. MP78

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

89. Any proposal by the Company to vary or abrogate the rights conferred on any classified shareholders must be approved by a special resolution of the shareholders' general meeting and by the classified shareholders affected at a separate meeting convened in accordance with Articles 91 to 95. MP79

90. The rights of classified shareholders are deemed to be varied or abrogated in the following circumstances: MP80

- (1) the increase or decrease of the number of shares of such class, or the increase or decrease of the number of shares of a class having voting or equity rights or privileges equal or superior to the shares of such class;
- (2) the exchange of all or part of the shares of such class into shares of another class, or the exchange of all or part of the shares of another class into the shares of such class or conferring such rights of exchange;

- (3) the removal or reduction of rights to accrued dividends or cumulative dividends attached to shares of such class;
- (4) the reduction or removal of a dividend preference or a liquidation preference attached to shares of such class;
- (5) the increase, removal or reduction of conversion privileges, options, voting rights, transfer or pre-emptive rights or rights to acquire securities of the Company attached to shares of such class;
- (6) the removal or reduction of rights to receive amounts payable by the Company in particular currencies attached to shares of such class;
- (7) the creation of a new class of shares having voting or equity rights or other privileges equal or superior to the shares of such class;
- (8) the imposition of restrictions or additional restrictions on the transfer of ownership of the shares of such class;
- (9) the issue of rights to subscribe for, or convert into, shares of such class or another class;
- (10) the increase in rights or privileges of shares of another class;
- (11) the restructuring of the Company which will result in shareholders of different classes bearing a disproportionate burden of such proposed restructuring;
- (12) the variation or abrogation of the provisions of this chapter.

91. Shareholders of the affected class, whether or not otherwise having the right to vote at general meetings, shall nevertheless have the right to vote at classified shareholders' meeting in respect of matters concerning Articles 90 (2) to (8) and (11) to (12), but Interested Shareholders shall not be entitled to vote at classified shareholders' meeting. MP81

In this Article, an "Interested Shareholder" has the following meaning:

- (1) in the case of a repurchase by a general offer made to all shareholders in equal proportions or through open transactions on a stock exchange under Article 33, a Controlling Shareholder within the meaning of Article 57 is an Interested

Shareholder;

- (2) in the case of a repurchase of shares by contract made outside the stock exchange under Article 33 a holder of the shares to which the contract relates is an Interested Shareholder;
- (3) in the case of a restructuring of the Company, a shareholder within a class who bears less than a proportionate burden imposed on that class under the proposed restructuring or who has an interest in the proposed restructuring different from the interest of shareholders of that class is an Interested Shareholder.

92. Resolution of any class shareholders' meeting shall be passed by votes of not less than two-thirds of the voting rights of shareholders of that class represented at that meeting who, according to Article 91, are entitled to vote at class shareholders' meeting. MP82

93. Written notice of a class meeting shall be given to all shareholders who are registered as holders of that class in the register of shareholders forty-five days before the date of the class meeting. Such notice shall give such shareholders notice of the matters to be considered at such meeting and the date and place of the class meeting. A shareholder who intends to attend the class meeting shall deliver his written reply in respect thereof to the Company twenty days before the date of the class meeting. MP83

If the shareholders who intend to attend such class meeting represent more than half of the total number of shares of that class which have the right to vote at such meeting, the Company may hold the class meeting; otherwise, the Company shall within five days give the shareholders further notice of the matters to be considered and the date and place of the class meeting by way of public announcement. The Company may then hold the class meeting after such public announcement has been made.

94. Notices of class shareholders' meeting need only be served on shareholders entitled to vote thereat. MP84

Meetings of any class of shareholders shall be conducted as nearly as possible as shareholders' general meetings. Provisions in the Articles of Association which relate to any meeting of shareholders shall apply to any meeting of a class of shareholders.

95. The special procedure for approval by class shareholders shall not apply: MP85
- (1) where the Company issues, either separately or concurrently, Domestic Shares and Overseas Listed Foreign Shares in numbers not exceeding twenty per cent. of the number of Domestic Shares and Overseas Listed Foreign Shares then in issue respectively in any twelve month period as approved by a special resolution of a shareholders' general meeting; A11c-1(f)(i) &(ii)
  - (2) where the Company's plan for issuing Domestic Shares and Overseas Listed Foreign Shares upon its establishment is implemented within fifteen months from the date of approval by the CSSCC.

## **CHAPTER 10 BOARD OF DIRECTORS**

96. The Company sets the Board of Directors which consists of 9 directors, and 1 chairman and 2 vice-chairmen are elected. External directors (directors not taking post in the Company) shall be more than 1/2 of the total number of the Board of Directors, and there shall be 3 independent directors (Directors who are independent from the members of the Company and do not hold any office in the Company). MP86
97. Directors shall serve a term of three years. The directors may, after the expiry of their term of office, hold a consecutive term upon re-election. MP87

The minimum notice period for the written notices as regards the intention to nominate a candidate to be appointed as a Director and the willingness of such candidate to accept the nomination shall not be less than 7 days. Such period shall commence no earlier than the day after the despatch of the notice to convene a general meeting until no later than 7 days before the date of such meeting. A3-4,(4)&(5)

The Chairman and Deputy Chairman of the Board of Directors is elected and removed by a majority of all the Directors. The Chairman and Deputy Chairman of the Board of Directors shall be appointed for a term of three years, and may serve consecutive terms if re-elected.

Subject to the relevant laws and administrative regulations, the shareholders' general meeting may remove any Director by special resolution prior to the expiration of such Directors' term, but without prejudice to any claim for damages which such Director may have under any contract.

Directors are not required to hold shares in the Company.

98. The Board of Directors shall be accountable to the shareholders' general meeting and shall exercise the following functions and powers: MP88

- (1) to be responsible for convening shareholders' general meetings and to report on its work to the shareholders' general meeting;
- (2) to implement resolutions of the shareholders' general meeting;
- (3) to decide on the Company's business plans and investment proposals;
- (4) to formulate the Company's annual financial budget and final accounts;
- (5) to formulate the Company's profit distribution proposals and proposals for making up losses;
- (6) to formulate proposals for the increase or reduction of the registered capital of the Company and proposals for the issuance of debentures of the Company;
- (7) to draft proposals for the merger, division or dissolution of the Company;
- (8) to decide on the establishment of the Company's internal management organisation;
- (9) to appoint or remove the Company's General Manager, and to appoint or remove the Deputy General Manager (or Deputy General Managers) and other senior management personnel (including the financial officers) based on the recommendations of the General Manager, and to decide on their emolument;
- (10) to formulate the Company's basic management system;
- (11) to formulate proposals for any amendment of the Articles of Association;
- (12) other functions and powers as authorised in a general meeting and as stipulated in the Articles of Association.

Except in relation to items (6), (7), and (11) which require the affirmative vote of more than two-thirds of the Directors, resolutions on any other items may be approved by the affirmative vote of more than half of the Directors.

Where the number of vacancy of Directors is not more than the number fixed by A3-4(2)



the Company Law of the People's Republic of China or not less than two-third of the number of Directors prescribed by the Articles of Association, any person to be appointed as a Director to fill a casual vacancy of the Board shall hold office until the next following annual general meeting of the Company and shall then be eligible for re-election.

When an external director is performing the responsibilities of his office, the Company must provide him with the necessary information and documentation.

Independent directors may directly report circumstances to the shareholders' general meeting, the China Securities Regulatory Commission and other relevant authorities.

99. The Board of Directors shall not, without the prior approval of shareholders in a general meeting, dispose or agree to dispose of any fixed assets of the Company where the sum of estimated value of fixed assets to be disposed of and the value of such fixed assets disposed of within four (4) months immediately preceding the proposed disposition exceeds thirty per cent. (33%) of the value of fixed assets shown in the latest balance sheet considered by a general meeting. MP89

For the purposes of this Article, "disposition" includes an act involving the transfer of interests in assets, but excludes the provision of guarantee by fixed assets.

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

100. The Board of Directors shall abide by national laws and regulations and perform duties pursuant to the Articles of Association and the resolution of the shareholder's meeting.

101. The Chairman of the Board of Directors shall exercise the following functions and powers: MP90

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

When the Chairman is not available to exercise his functions and powers, he can design a Deputy Chairman to exercise such functions and powers on his behalf.

102. The Board of Directors shall hold at least two regular meetings each year. The Board meetings shall be convened by the Chairman and all directors shall be notified 10 days earlier than the meeting. Upon anything urgent, an extraordinary Board meeting can be held under the proposal by more than 3 Directors, more than 2 Independent Directors or the General Manager. MP91

For any important matter subject to decision by the board of directors, all of the executive directors and external directors must be given advance notice by the statutory time and provided with sufficient information, and the meeting must be conducted in strict compliance with the prescribed procedures. The directors may demand that supplementary materials be provided. If one-quarter or more of the directors or two or more of the external directors believe that there is insufficient information or that the arguments are inconclusive, they may jointly propose that the board meeting be postponed or that some of the matters to be discussed at the board meeting be discussed at a later time. In such circumstances the board of directors shall accept the proposal.

103. Notice of meetings and special meetings of the Board of Directors shall be delivered by the means and at the times as follows: MP92

- (1) No notice is required if the timing and venue of the meetings have been decided by the Board of Directors in advance.
- (2) If the Board of Directors has not decided on the timing and venue of the meetings, the Chairman shall, through the secretary of the Board of Directors, send the notice of the meetings specifying the time and venue of the meetings to all directors and chairman of the Supervisory Committee by telex, cable, facsimile, express delivery service, registered mail or by hand. Such notice shall be delivered at least ten days before the meeting.
- (3) Such notice shall be in Chinese, and accompanied by the English version when necessary. It shall include the meeting agenda.

Notice of a meeting shall be deemed to be served to any Directors who attend the meeting without protesting against any lack of notice before or at its commencement.

Any regular or extraordinary meeting of the Board of Directors may be held by telephone conferencing or similar communication equipment. As long as all Directors participating in the meeting can hear and communicate clearly with each other, all such Directors shall be deemed to be present in person at the meeting.

104. Meetings of the board of directors may be held only if more than half of the directors attend. MP93

Each director shall be entitled to one vote. Resolutions of the board of directors must be adopted by the affirmative vote of more than half of all the directors.

When the number of votes for and against a resolution is equal, the chairman of the board shall be entitled to one additional vote.

The opinions expressed by an independent director shall be clearly recorded in the board's resolutions. The Company's transactions with its affiliates must be endorsed by two or more independent directors before they can become effective.

A Director shall not vote on any board resolution approving any contract or arrangement or any other proposal in which the Director or any of his associates ( as such terms is defined in the GEM Listing Rules ) has a material interest nor shall such Director be counted in the quorum present at the same Board meeting. A3-4(1)

105. Directors shall attend the Board meetings in person. Where a Director isn't available to attend a meeting for any reason, he may appoint another Director in written power of attorney to attend the Board meeting on his behalf. The power of attorney shall set out the authorisation scope. MP94

The Director so appointed as a proxy of another Director to attend the meeting shall exercise the rights of a Director within the scope of power of attorney. Where a Director doesn't attend or appoint a proxy to attend a Board meeting on his behalf, he shall be deemed to waive his voting right at the meeting.

In the case of matters requiring approval by an extraordinary board meeting, if the resolution in question is sent to all Directors by the Board and is affirmatively signed and accepted by the number of Directors necessary to make such a decision as stipulated in Article 98, then such matters can be deemed as a resolution and do not need to be adopted by the Board of Directors.

106. The Board of Directors shall keep minutes of resolutions passed at meetings of the Board of Directors. The minutes shall be signed by both the directors present at the MP95

meeting and the person who recorded the minutes. Directors shall be liable for resolutions of the Board. If a resolution is against the laws, administrative rules or the Articles of Association, and thus causing the Company suffers any loss, the Directors who participate in voting shall assume the liability to compensate to the Company; but those Directors who are proved to have cast a dissenting vote which is recorded in the minutes shall be exempted from liability.

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

107. The Company shall have secretary to the Board of Directors. The secretary shall be the senior management personnel of the Company. MP96

108. The secretary to the board of directors shall be a natural person with the necessary professional knowledge and experience. He shall be appointed by the board of directors. His main duties shall be as set forth below: MP97

(1) to guarantee that the Company has complete organizational documents and records;

(2) to ensure that the Company prepares and submits according to law the documents and reports required by relevant authorities;

(3) to guarantee that the Company's register of shareholders is properly established and that persons entitled to relevant records and documents of the Company obtain such records and documents in a timely manner.

109. A Director or the senior management personnel of the Company may concurrently act as the secretary to the Company's Board of Directors. No accountant of the accounting firm engaged by the Company may concurrently act as the secretary to the Company's Board of Directors. MP98

In the case of a Director acting concurrently as the secretary to the Board and an action has to be taken by a Director and the secretary to the Board respectively, the director acting concurrently as the secretary to the Board may not act in his/her capacity as both the director and the secretary to the Board.

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

110. The Company shall have one General Manager who shall be appointed or dismissed by the Board of Directors; several Deputy General Manager assisting the MP99

General Manager, who shall be appointed by the General Manager and employed or dismissed by the Board of Directors. The directors of the Company may take concurrently the posts of General Manager and Deputy General Manager.

111. The Company's General Manager shall be accountable to the Board of Directors and shall exercise the following duties and powers : MP100

- (1) to be in charge of the Company's production, operation and management, to co-ordinate the implementation of the resolutions of the Board of Directors;
- (2) to organise the implementation of the Company's annual business plan and investment proposal;
- (3) to draft plans for the establishment of the Company's internal management structure;
- (4) to draft the Company's basic management system;
- (5) to draft the Company's basic regulations;
- (6) to request the appointment or dismissal of the Company's Deputy General Manager and other senior management personnel (including the chief financial officers);
- (7) to appoint or dismiss management personnel other than those required to be appointed or dismissed by the Board of Directors;
- (8) other duties and powers conferred by the Articles of Association and the Board of Directors.

112. The General Manager shall attend Board meetings, but do not have any voting rights at Board meetings. MP101

113. In performing their functions and powers, the General Manager and Deputy General Manager should not change the resolutions of shareholder's meeting and the Board of Directors or exceed the limits of functions and powers.

114. In performing their functions and powers, the General Manager and Deputy General Manager shall act honestly and diligently in accordance with laws, administrative regulations and the Articles of Association. MP102

## CHAPTER 13 SUPERVISORY COMMITTEE

115. The Company shall have a Supervisory Committee. MP103
116. The Supervisory Committee consists of five supervisors. The Supervisory Committee shall have one (1) Chairman. MP104  
A11c-d(i)

Supervisor has a term of three years and can be re-elected.

The supervisory committee shall have one chairman. The election or removal of the chairman of the supervisory committee shall be decided by two-thirds or more of the supervisors. The chairman shall serve for a term of three years and is eligible for re-election.

117. The members of the Supervisory Committee shall comprise one representative of shareholders, two independent supervisors (supervisors independent from corporate shareholders and not taking post in the Company) and two representatives of staff and workers. The election and removal of the representatives of shareholders shall be decided by shareholders in Shareholders' General Meeting, while the representative of staff and workers shall be elected and removed by staff and workers of the Company in a democratic way. External supervisors (supervisor not taking post in the Company) shall account for more than 1/2 of the number of the Supervisory Committee. External supervisors who are not employees of the Company shall constitute 1/2 of the total number of supervisors. MP105
118. Directors, General Manager and financial officers may not act concurrently as supervisors. MP106
119. Meetings of the Supervisory Committee shall be held at least every six months, and called by the chairman of the Supervisory Committee. MP107
120. The Supervisory Committee shall be responsible to the Board meeting and exercise the following functions and powers in accordance with law: MP108

- (1) to review the Company's financial position;
- (2) to supervise the Directors, General Manager and other senior management personnel to ensure that they do not act in contravention of any law, administrative regulations or the Articles of Association during their performance of duties;

- (3) to demand the Directors, General Manager and other senior management personnel to rectify their error if they have acted in a harmful manner to the Company's interest;
- (4) to check and inspect the financial information such as the financial report, business report and plans for profits distribution to be submitted by the Board of Directors to the general meetings, and to authorise, in the Company's name, publicly certified and practicing accountants to assist in the review on such information should any doubt arise in respect thereof;
- (5) to propose to convene an extraordinary general meeting;
- (6) to represent the Company in negotiations with or in bringing actions against a Director;
- (7) other duties and powers as may be specified by the Articles of Association and general meetings.

The Supervisory Committee may directly report circumstances to the shareholders' general meeting, the China Securities Regulatory Commission and other relevant authorities. A Company's external supervisors shall independently report to the shareholders' general meeting on the senior management personnel's performance in respect of their fiduciary obligation and duty of due diligence.

Supervisors shall attend Board meetings.

- |      |  |                            |
|------|--|----------------------------|
| 121. | Proceedings of Supervisory Committee: resolutions of the Supervisory Committee shall be passed by affirmative votes from more than two-thirds of all the Supervisors.  | MP109<br>A11c-<br>1(d)(ii) |
| 122. | All reasonable fees incurred in respect of the employment of professionals (such as lawyers, certified public accountants or practicing auditors) which are required by the Supervisory Committee in the exercise of its functions and powers shall be borne by the Company. | MP110                      |
| 123. | A supervisor shall carry out his duties faithfully and bona fide in accordance with laws, administrative regulations and the Articles of Association.  | MP111                      |

**CHAPTER 14 QUALIFICATIONS AND OBLIGATIONS OF  
DIRECTORS, SUPERVISORS, GENERAL MANAGER AND OTHER  
SENIOR MANAGEMENT PERSONNEL OF THE COMPANY**

124. A person may not serve as a Director, Supervisor, General Manager or other senior management personnel of the Company if any of the following circumstances apply: MP112

- (1) a person who does not have or who has limited capacity for civil conduct;
- (2) a person who has been found guilty of for corruption, bribery, infringement of property or misappropriation of property or other crimes which destroy the social economic order, and the sentence is enforced for less than five (5) years or a person who has been deprived of his political rights and not more than five (5) years have lapsed since the sentence was served;
- (3) a person who is a former director, factory manager or manager of a company or enterprise which has been dissolved or put into liquidation as a result of mismanagement and who was personally liable for the winding up of such company or enterprise, where less than three (3) years have elapsed since the date of completion of the insolvent liquidation of the company or enterprise;
- (4) a person who is a former legal representative of a company or enterprise the business licence of which was revoked due to violation of law and who are personally liable therefor, where less than three (3) years have elapsed since the date of the cancellation of the business licence;
- (5) a person who has a relatively large amount of debts which have become due and outstanding;
- (6) a person who is currently under investigation by the judicial authorities for violation of criminal law;
- (7) a person who, according to laws and administrative regulations, cannot act as a leader of an enterprise;
- (8) a person other than a natural person;
- (9) a person who has been adjudged by the competent authority for violation of relevant securities regulations and such conviction involves a finding that



such person has acted fraudulently or dishonestly, where not more than five (5) years have lapsed from the date of such conviction.

125. The validity of an act carried out by a Director, General Manager or other senior management personnel of the Company on its behalf shall, as against a bona fide third party, not be affected by any irregularity in his office, election or any defect in his qualification. MP113

126. In addition to the obligations imposed by laws, administrative regulations or the listing rules of the stock exchange on which shares of the Company are listed, each of the Company's Directors, Supervisors, General Manager or other senior management personnel owes a duty to each shareholder, in the exercise of the duties and powers of the Company entrusted to him: MP114

(1) not to procure the Company to do anything ultra vires to the scope of business as stipulated in its business licence;

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

(3) not to expropriate the Company's property in any way, including (but not limited to) usurpation of opportunities which may benefit the Company;

(4) not to deprive of the individual interest of shareholders, including (but not limited to) rights to distribution and voting rights, save and except pursuant to a restructuring of the Company which has been submitted to the shareholders in general meeting for approval in accordance with the Articles of Association.

127. Each of the Company's Directors, Supervisors, General Manager and other senior management personnel owes a duty, in the exercise of his powers and in the discharge of his duties, to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. MP115

128. Each of the Company's Directors, Supervisors, General Manager and other senior management personnel shall exercise his powers or perform his duties in accordance with the fiduciary principle, and shall not put himself in a position where his duty and his interest may conflict. This principle includes (but not limited to) performance of the following obligations: MP116

(1) to act bona fide in the best interests of the Company;

- (2) to act within the scope of his powers and not to exceed such powers;
- (3) to exercise the discretion vested in him personally and not to allow himself to act under the control of another and, unless and to the extent permitted by laws, administrative regulations or with the informed consent of shareholders given in a general meeting, not to transfer the exercise of his discretion;
- (4) to treat shareholders of the same class equally and to treat shareholders of different classes fairly;
- (5) unless otherwise provided for in the Articles of Association or except with the informed consent of the shareholders given in a general meeting, not to enter into any contract, transaction or arrangement with the Company;
- (6) not to use the Company's property for his own benefit, without the informed consent of the shareholders given in a general meeting;
- (7) not to abuse his position to accept bribes or other illegal income or expropriate the Company's property in any way, including (but not limited to) opportunities which benefit the Company;
- (8) not to accept commissions in connection with the Company's transactions, without the informed consent of the shareholders given in a general meeting;
- (9) to comply with the Articles of Association, to perform his official duties faithfully, to protect the Company's interests and not to exploit his position and power in the Company to advance his own interests;
- (10) not to compete with the Company in any way, save with the informed consent of the shareholders given in a general meeting;
- (11) not to misappropriate the Company's funds or to lend such funds to any other person, not to use the Company's assets to set up deposit accounts in his own name or in the any other name or to use such assets to guarantee the debts of a shareholder of the Company or any other personal liabilities;

(12) not to divulge any confidential information which he has obtained during his term of office, without the informed consent of the shareholders in a general meeting; nor shall he use such information otherwise than for the Company's benefit, unless disclosure of such information to the court or other governmental authorities is made in the following circumstances:

(i) disclosure is required by law;

(ii) the public interest so demands;

(iii) the interests of the relevant director, Supervisor, General Manager or other senior management personnel so demand.

129. Each director, Supervisor, General Manager and other senior management personnel of the Company shall not direct the following persons or institutions (herein refers to "associates") to act in a manner which a Director, Supervisor, General Manager and other senior management personnel is prohibited from so acting: MP117

(1) the spouse or minor children of the director, Supervisor, General Manager and other senior management personnel of the Company;

(2) the trustee of the director, Supervisor, General Manager and other senior management personnel or of any person described in sub-paragraph (1) of this Article;

(3) partners of Directors, Supervisors, General Manager and other senior management personnel or of any person described in sub-paragraphs (1) and (2) of this Article;

(4) a company in which a Director, Supervisor, General Manager and other senior management personnel, whether alone or jointly with persons referred to in sub-paragraphs (1), (2) and (3) of this Article or other Directors, Supervisors, General Manager and other senior management personnel, has de facto controlling interest;

(5) the Directors, Supervisors, General Manager and other senior management personnel of a company which is being controlled in the manner set out in sub-paragraph (4) of this Article.

130. The duty of a Director, Supervisor, General Manager and other senior management personnel to act in good faith does not necessarily terminate on the expiration of their term of office. His duty of confidentiality in respect of trade secrets of the Company survives the termination of his tenure. Other duties may continue for such period as the principle of fairness may require depending on the length of time which has lapsed between the termination and the act concerned and on the circumstances and the terms under which the relationship between the relevant director, Supervisor, General Manager and the senior management personnel on one hand and the Company on the other hand was terminated. MP118

131. A Director, Supervisor, General Manager and other senior management personnel of the Company may be relieved of liability for specific breaches of his duty with the informed consent of the shareholders given at a general meeting, save under the circumstances of Article 56 of this Articles of Association. MP119

132. Where a Director, Supervisor, General Manager and other senior management personnel of the Company is in any way, directly or indirectly, materially interested in a contract, transaction or arrangement or proposed contract, transaction or arrangement with the Company, (other than his contract of service with the Company), he shall declare the nature and extent of his interests to the Board of Directors at the earliest opportunity, whether or not the contract, transaction or arrangement or proposal there for is otherwise subject to the approval of the Board of Directors. MP120

Unless the interested director, Supervisor, General Manager and other senior management personnel discloses his interests in accordance with the preceding sub-paragraph of this Article and the contract, transaction or arrangement is approved by the Board of Directors at a meeting in which the director, Supervisor, or senior management personnel is not counted as part of the quorum and refrains from voting, or from entering into a contract, transaction or arrangement in which that senior management personnel is materially interested is voidable at the instance of the Company except as against a bona fide party thereto who does not have notice of the breach of duty by the interested senior management personnel. A3-4(1)

A Director, Supervisor, General Manager and other senior management personnel of the Company is deemed to be interested in a contract, transaction or arrangement in which his associate is interested.

133. Where a Director, Supervisor, General Manager and other senior management personnel of the Company gives to the Board of Directors a notice in writing stating that, by reason of the facts specified in the notice, he is interested in contracts, transactions or arrangements which may subsequently be made by the Company, that notice shall be deemed for the purposes of the preceding Article to be a sufficient disclosure of his interests, so far as the content stated in such notice is concerned, provided that such notice shall have been given before the date on which the question of entering into the relevant contract, transaction or arrangement is first taken into consideration by the Company. MP121

134. The Company shall not pay taxes for or on behalf of a Director, Supervisor, General Manager and other senior management personnel in any manner. MP122

135. The Company shall not directly or indirectly make a loan to or provide any guarantee in connection with the making of a loan to a Director, Supervisor, General Manager and other senior management personnel of the Company or its holding company or any of their respective associates. MP123

The foregoing prohibition shall not apply to the following circumstances:

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

(2) the provision by the Company of a loan or a guarantee in connection with the making of a loan or any other funds available to its Directors, Supervisors, General Manager and other senior management personnel to meet expenditure incurred or to be incurred by him for the purposes of the Company or for the purpose of enabling him to perform his duties properly, in accordance with the terms of a service contract approved by the shareholders in a general meeting;

(3) if the ordinary course of business of the Company includes the lending of money or the giving of guarantees, the Company may make a loan to or provide a guarantee in connection with the making of a loan to a Director, Supervisor, General Manager and other senior management personnel or his associates in the ordinary course of its business on normal commercial terms.

136. Any person who receives funds from a loan which has been made by the Company acting in breach of the preceding Article shall, irrespective of the terms of the loan, forthwith repay such funds. MP124

137. A guarantee for the repayment of a loan which has been provided by the Company acting in breach of Article 135 shall not be enforceable against the Company, save in respect of the following circumstances: MP125
- (1) the guarantee was provided in connection with a loan which was made to an associate of a Director, Supervisor, General Manager and other senior management personnel of the Company or the Company's holding company and the lender of such funds did not know of the relevant circumstances at the time of the making of the loan;
  - (2) the collateral which has been provided by the Company has already been lawfully disposed of by the lender to a bona fide purchaser.
138. For the purposes of the foregoing provisions of this Chapter, a "guarantee" includes an undertaking or property provided by the obligor to secure his performance of obligations. MP126
139. In addition to any rights and remedies provided by laws and administrative regulations, where a Director, Supervisor, General Manager and other senior management personnel of the Company breaches the duties which he owes to the Company, the Company has a right: MP127
- (1) to demand such a Director, Supervisor, General Manager or other senior management personnel to compensate it for losses sustained by the Company as a result of such breach;
  - (2) to rescind any contract or transaction which has been entered into between the Company and such a Director, Supervisor, General Manager and other senior management personnel or between the Company and a third party (where such third party knows or should have known that such a Director, Supervisor, General Manager and other senior management personnel representing the Company has breached his duties owed to the Company);
  - (3) to demand such a Director, Supervisor, General Manager and other senior management personnel to surrender the gains made as result of the breach of his obligations;
  - (4) to recover any monies which should have been received by the Company and which were received by such a Director, Supervisor, General Manager and other senior management personnel instead, including (but not limited to) commissions;

(5) to demand repayment of interest earned or which may have been earned by a Director, Supervisor, General Manager and other senior management personnel on money that should have been paid to the Company.

140. The Company shall make written contract with a Director or Supervisor in relation to emoluments. The emoluments shall be approved in advance by general meeting. The aforesaid emoluments include: MP128

(1) emoluments in respect of his service as director, Supervisor, or senior management personnel of the Company;

(2) emoluments in respect of his acting as a Director, supervisor or a senior management personnel of any subsidiary of the Company;

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

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

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

141. The contract concerning the emoluments between the Company and its directors or supervisors should provide that in the event that the Company is acquired, the Company's directors and supervisors shall, subject to the prior approval of shareholders in a general meeting, have the right to receive compensation or other payment in respect of his loss of office or retirement. MP129

For the purposes of this Article, the acquisition of the Company includes any of the following:

(1) an offer made by any person to the general body of shareholders;

(2) an offer made by any person with a view to the offer or becoming a "controlling shareholder" within the meaning of Article 57 hereof.

If the relevant director or supervisor does not comply with this Article, any sum so received by him shall belong to those persons who have sold their shares as a

result of such offer. The expenses incurred in distributing such sum on a pro rata basis amongst such persons shall be borne by the relevant director or supervisor and shall not be paid out of such sum.

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

142. The Company shall establish its financial and accounting systems in accordance with laws, administrative regulations and PRC enterprise accounting standards formulated by the finance regulatory department of the State Council. MP130

143. At the end of each fiscal year, the Company shall prepare a financial report which shall be examined and verified in a manner prescribed by law. MP131

Financial reports of the Company shall incorporate the following financial statements and schedules: A3-5

- (1) Balance sheet;
- (2) Income statement;
- (3) Statement of change in financial position (or cash flow statement);
- (4) Explanation of financial conditions;
- (5) Statement of profit appropriation.

144. The Board of Directors of the Company shall place before the shareholders at every annual general meeting such financial reports which the relevant laws, administrative regulations and directives promulgated by competent regional and central governmental authorities require the Company to prepare. MP132

145. The Company's financial reports and directors' reports shall be made available for shareholders' inspection at the Company twenty (20) days before the date of shareholders' annual general meeting. Each shareholder shall be entitled to have a copy of the financial reports referred to in this Chapter. MP133  
A3-5

The Company shall deliver or send to each shareholder of Overseas-Listed Foreign-Invested Shares by prepaid mail at the address registered in the register of shareholders the said reports not later than twenty one (21) days before the date of every annual general meeting of the shareholders.



146. The financial statements of the Company shall be prepared in accordance with the PRC accounting standards and legal requirements. Besides, the Company may also adopt the international accounting standards or the local accounting standards of the place where the Company is listed to prepare its financial statements if deemed necessary by the Company. Any significant discrepancies between the financial statements prepared in accordance with the two sets of accounting standards shall be explicitly stated in the notes to the financial statements. Profit distribution of the Company for a particular financial year shall be based on the lesser of the profit after taxation stated in the two sets of financial statements. MP134
147. Any interim results or financial information published or disclosed by the Company must also be prepared and presented in accordance with PRC enterprise accounting standards and regulations, and also in accordance with either international accounting standards or that of the place overseas where the Company's shares are listed. MP135
148. The Company shall publish its annual, biannual and quarterly financial reports in each fiscal year. Annual financial report shall be published within 3 months after the expiration of each fiscal year, biannual financial report shall be published within 45 days after the expiration of first half of each fiscal year, and quarterly report shall be published within 45 days after the expiration of each quarter. MP136
149. The Company shall not keep accounts other than those required by law. MP137
150. The Company shall implement an internal audit system and establish an internal auditing organization or provide internal auditing personnel to undertake the internal auditing and supervision over the Company's income and expenses and other economic activities under the leadership of the Board.
151. Profits after tax of the Company shall be applied in the following order of priority:
- (1) to make up for losses;
  - (2) allocation to the statutory common reserve fund;
  - (3) allocation to the statutory common welfare fund;
  - (4) allocate the arbitrary common reserve fund according to the resolution of general meeting;

(5) payment of dividends for ordinary shares.

The Board of Directors of the Company shall determine the specific proportion of distributed profit referred to from Item (2) to Item (5) in the Article, and submit to the shareholder's meeting for approval.

The dividends shall not be distributed before making up the loss and withdrawing legal reserved fund and legal public welfare fund.

152. Capital common reserve fund includes the following items:

MP138

(1) premium on shares issued at a premium price;

(2) any other income designated for the capital common reserve fund by the regulations of the finance regulatory department of the State Council.

153. The common reserve fund of the Company shall be applied for the following purposes:

(1) compensating the losses;

(2) expansion of production and operation;

(3) increase of capital by conversion: The Company may subject to a resolution of a general meeting convert the common reserve fund into share capital by issuing new shares or increasing the par value of each share in proportion to the shareholders' existing shareholding. However, when the statutory common reserve fund is converted to increase share capital, the remaining statutory common fund after such conversion shall be no less than twenty-five per cent. of the registered capital.

154. The corporate legal public welfare fund shall be employed in collective welfare of the staff.

155. The dividends are distributed as per the equity proportion of the shareholders.

Except for annual dividends, the Board of Directors may distribute biannual dividends upon authorization of the shareholder's meeting. However, the amount shall not exceed 50 % of the distributable profit in the biannual income statement.

That any amount paid up in advance of calls on any share may carry interest but shall not entitle the holder of the share to participate in respect thereof in a dividend subsequently declared. Where power is taken to forfeit unclaimed dividends, that power shall not be exercised until after the expiration of the applicable limitations period of six years.

A3-3(1) &  
(2)

156. The Company may distribute dividends in the following forms:

MP139

(1) cash;

(2) shares.

157. Dividends of ordinary shares shall be denominated and declared in RMB. Dividends of Domestic Shares shall be paid in RMB. Dividends of Foreign Shares shall be denominated and declared in RMB, but shall be paid in the currency of the place where these Foreign Shares are listed (or, if there is more than one such place, of the place where those Foreign Shares maintain a primary listing as determined by the Board of Directors).

Foreign currency required by the company for payment of dividends or other sum to holders of Foreign-Invested Shares shall be handled in accordance with the relevant foreign exchange control regulations of the State.

158. The Company shall withhold tax payable in respect of dividend to be received by shareholders and pay such tax on behalf of such shareholders in accordance with the provisions of the tax laws of the PRC.

159. The Company shall appoint recipient agents for holders of foreign investment shares listed outside the People's Republic of China to collect on behalf of the relevant shareholders the dividends distributed and other funds payable in respect of foreign investment shares listed outside the People's Republic of China.

MP140

The receiving agents appointed by the Company shall meet the requirements of the laws of the place of listing or relevant rules of the securities exchanges.

A11c-1(c)

The receiving agent appointed on behalf of holders of H Shares shall be a company registered as a trust company under the Trustee Ordinance of Hong Kong.

## CHAPTER 16 APPOINTMENT OF ACCOUNTING FIRM

160. The Company shall appoint an independent accounting firm which is qualified under the relevant regulations of the State to audit the Company's annual financial report and review other financial reports of the Company. MP141
161. The accounting firm appointed by the Company shall hold office from the conclusion of the annual general meeting of shareholders at which they were appointed until the conclusion of the next annual general meeting of shareholders. MP142
162. The accounting firm appointed by the Company shall be entitled to the followings: MP143
- (1) a right to review to the books, records and vouchers of the Company at any time, the right to require the Directors, General Manager and other senior management personnel of the Company to supply relevant information and explanations;
  - (2) a right to require the Company to take all reasonable steps to obtain from its subsidiaries such information and explanation as are necessary for the discharge of its duties;
  - (3) a right to attend shareholders' general meetings and to receive all notices of, and other communications relating to, any general meeting which any shareholder is entitled to receive, and to speak at any general meeting in relation to matters concerning its role as the Company's accounting firm.
163. If there is a vacancy in the position of the accounting firm, the Board of Directors may appoint an accounting firm to fill such vacancy before the convening of the general meeting. Any other accounting firm which has been appointed by the Company may continue to act during the period during which a vacancy arises. MP144
164. The shareholders in a general meeting may by ordinary resolution remove the accounting firm before the expiration of its term of office, irrespective of the provisions in the contract between the Company and the accounting firm. However, the right of the accounting firm in claiming for damages which arise from its removal shall not be affected thereby. MP145

165. The emolument of an accounting firm or the manner in which such firm is to be remunerated shall be determined by the shareholders in a general meeting. The emolument of an accounting firm appointed by the Board of Directors which is to fill the vacancy shall be determined by the Board of Directors. MP146

166. The Company's appointment, removal or non-reappointment of an accounting firm shall be resolved by the shareholders in a general meeting. Such resolution shall be filed with the securities authority of the State Council. MP147

Where a resolution is passed at a general meeting of shareholders to appoint an accounting firm other than an incumbent accounting firm, to fill a casual vacancy in the office of the accounting firm, or to reappoint an accounting firm appointed by the Board of Directors to fill a casual vacancy, or to remove an accounting firm before expiry of its term of office, the following provisions shall apply:

(1) A copy of the appointment or removal proposal shall be sent before notice of meeting is given to the shareholders to the firm proposed to be appointed or proposing to leave its post or the firm which has left its post in the relevant fiscal year. Reference as leaving herein includes leaving by removal, resignation and retirement. A11c-1(e)(i)(A)

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

(i) in any notice of the resolution given to shareholders, state the fact of the representations having been made by the accounting firm leaving its post; A11c-1(e)(i)(B)(x)

(ii) attach a copy of the representations to the notice and deliver it to the shareholders in the manner stipulated in the Articles of Association and its appendices. A11c-1(e)(i)(B)(y)

(3) If the Company fails to circulate the accounting firm's representations in the manner set out in sub-paragraph (2) above, such accounting firm may (in addition to its right to be heard) require that the representations be read out at the meeting. A11c-1(e)(i)(C)

(4) An accounting firm which is retired from its office shall be entitled to attend the following meetings:

- (i) the general meeting at which its term of office would otherwise have expired; A11c-(e)(i)(D)(x)
- (ii) the general meeting at which it is proposed to fill the vacancy caused by its removal; A11c-(e)(i)(D)(y)
- (iii) the general meeting which convened as a result of its voluntary resignation. A11c-(e)(i)(D)(z)

The leaving accounting firm has the right to receive all notices of, and other communications relating to, any such meeting as stipulated in clause (4) above, and to speak at any such meeting which it attends on any part of the business of the meeting which concerns it as the former accounting firm of the Company.

167. Prior notice should be given to the accounting firm in advance if the Company decides to remove or not to renew appointment of such accounting firm. Such accounting firm shall be entitled to make representations at the general meeting. Where the accounting firm resigns from its position as the Company's auditors, it shall make clear to the shareholders in a general meeting whether there has been any impropriety on the part of the Company. MP148

An accounting firm may resign its office by depositing at the Company's domicile a resignation notice which shall become effective on the date of such deposit or on such later date as may be stipulated in such notice and such notice shall include the following:

- (1) a statement to the effect that there are no circumstances connected with its resignation which it considers should be brought to the notice of the shareholders or creditors of the Company; A11c-1(e)(ii)(A)
- (2) a statement of any such circumstances. A11c-1(e)(ii)(B)

Where a notice is deposited under the foregoing provisions of this Article, the Company shall within fourteen (14) days send a copy of the notice to the competent authority. If the notice contained a statement under paragraph (2) of this Article, the Company shall deposit a copy of such statement in the Company for examination by the shareholders. The Company shall also send a copy of A11c-1(e)(iii)

such statement by postage pre-paid mail to each of the holders of the overseas listed foreign shares at its registered address contained in the shareholders' register.

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

A11c-  
1(e)(iv)

## **CHAPTER 17 INSURANCE**

168. The purchase of and the type, amount and period of coverage of the various types of insurance of the Company shall be determined by the board of directors of the Company in accordance with the laws and administrative regulations of the state, the conventions and practice of the same industry in the People's Republic of China and other countries, and the actual circumstances of the Company.

## **CHAPTER 18 LABOR SYSTEM**

169. The Company shall establish a labor system that is applicable to the specific circumstances of the Company, in accordance with the "Labor Law of the People's Republic of China" and other relevant laws and administrative regulations of the People's Republic of China.

## **CHAPTER 19 ORGANIZATION OF LABOR UNION**

170. In accordance with the "Labor Union Law of the People's Republic of China", the Company shall organize a labor union and conduct labor union activities.

In accordance with the "Labor Union Law of the People's Republic of China", the Company shall allocate funds to the union for its operation, and shall be used by the labor union of the Company in accordance with "Regulations on Use of Labor Union Funds" formulated by the Federation of Labor Unions of the People's Republic of China.

## **CHAPTER 20 MERGER AND DIVISION OF THE COMPANY**

171. In the case of merger or division of the Company, the Board of Directors shall propose a proposal, and, upon approval in accordance with the procedures under the Articles of Association, deal with the relevant approval procedures pursuant to laws. A shareholder who objects to the proposal of merger or division shall have the right to demand the Company or the shareholders who consent to the

MP149

proposal of merger or division to acquire such dissenting shareholders' shareholding at a fair price.

To overseas shareholders, the aforesaid document should be sent by prepaid mail, or the electronic announcement through the official website or Company website or any means of corporate communication.

172. The merger of the Company may take the form of either merger by absorption or merger by the establishment of a new company. MP150

In the event of a merger, the merging parties shall execute a merger agreement and prepare a balance sheet and an inventory of assets. The Company shall notify its creditors within ten days from the date on which the Company's merger resolution is passed, and shall publish an announcement at least three times in a newspaper within thirty days. Creditors are entitled to claim full payment of the debts of the companies or require the provision of appropriate assurances within 30 days of receipt of the notice, or within 90 days of publication of the first notice if such creditors did not receive the notice. The companies may not be merged unless debts are fully paid or appropriate assurances are provided. A3-7(1)

After the merger, the rights against debtors and the indebtedness of each of the parties to the merger shall be inherited by the company which survives the merger or the newly established company.

173. Where there is a division of the Company, its assets shall be divided up accordingly. MP151

In the event of division of the Company, the parties to such division shall execute a division agreement and prepare a balance sheet and an inventory of assets. The Company shall notify its creditors within ten days from the date on which the Company's division resolution is passed, and shall publish an announcement at least three times in a newspaper within thirty days. Creditors are entitled to claim full payment of the company's debts or require the provision of appropriate assurances within 30 days of receipt of the notice, or within 90 days of publication of the first notice if such creditors did not receive the notice. The company may not be divided unless debts are fully paid or appropriate assurances are provided. A3-7(1)

Debts owing by the Company before the division shall be borne by the companies after the division in accordance with the relevant division agreement.



174. The Company shall, in accordance with law, apply for change in its registration with the company registration authority where a change in any item in its registration arises as a result of any merger or division. Where the Company is dissolved, the Company shall apply for cancellation of its registration in accordance with law. Where a new company is established, the Company shall apply for registration thereof in accordance with law. MP152

## **CHAPTER 21 DISSOLUTION AND LIQUIDATION OF THE COMPANY**

175. The Company shall be dissolved and liquidated upon the occurrence of any of the following events: MP153

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

176. Should the Company be dissolved due to provisions mentioned in clause (1) above, the Company should establish a liquidation committee within fifteen days. Members of the liquidation committee should be selected at General Meeting in the form of ordinary resolution. If the liquidation committee is not established within the time limit, the creditors may apply to the People's Court to designate relevant professionals to establish a liquidation committee to carry out the liquidation. MP154

Should the Company be dissolved due to provisions mentioned in clause (3) above, the People's Court will, subject to related laws, organise shareholders, related organisations and professionals to establish a liquidation committee so as to conduct the liquidation.

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

177. Where the Board of Directors proposes to liquidate the Company for any reason other than the Company's declaration of its own insolvency, the Board shall include a statement in its notice convening a general meeting to consider the proposal to the effect that, after making full inquiry into the affairs of the Company, the Board of Directors is of the opinion that the Company will be capable to pay its debts in full within twelve months from the commencement of the liquidation. MP155

Upon the passing of the resolution by the shareholders in a general meeting in relation to the liquidation of the Company, all functions and powers of the Board of Directors shall cease.

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

178. The liquidation committee shall, within ten days of its establishment, send notices to creditors and shall, within sixty days of its establishment, publish an announcement at least three times in the newspapers. A creditor shall, within thirty days of receipt of the notice, or for creditors who have not received such notice, within ninety days of the date of the first announcement, claim its rights to the liquidation committee. MP156  
A3-7(1)

In claiming its rights, the creditor shall provide details about its creditor's rights and supporting documents. The liquidation committee shall register the creditor's rights.

179. During the liquidation period, the liquidation committee shall exercise the following functions and powers: MP157

(1) to categorise the Company's assets and prepare a balance sheet and an inventory of assets respectively;

- (2) to notify the creditors or to publish public announcements;
- (3) to dispose of and liquidate any unfinished businesses of the Company;
- (4) to pay all outstanding taxes;
- (5) to settle claims and debts;
- (6) to deal with the surplus assets remaining after repayment by the Company of its debts;
- (7) to represent the Company in any civil proceedings.

180. After categorising the Company's assets and preparing the balance sheet and an inventory of assets, the liquidation committee shall formulate a liquidation plan and present it to a general meeting or to the relevant authority for confirmation. MP158

Should the corporate property be able to pay off the debts, it shall be paid off as follows: pay for liquidation expense, pay for staff wages, pay for labor insurance, pay for outstanding taxes, and pay off corporate debts.

The remaining property of the Company after payment has been made under the previous provision shall be distributed to its shareholders according to the class and proportion of their shareholding.

The Company shall not undertake any new business during the process of liquidation.

181. Upon completion of the categorisation of the Company's assets and preparation a balance sheet and an inventory of assets in connection with the liquidation of the Company, if the liquidation committee discovers that the Company's assets are insufficient to repay the Company's debts in full, the liquidation committee shall immediately apply to the People's Court for a declaration of insolvency. MP159

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

182. Following the completion of the liquidation, the liquidation committee shall prepare a liquidation report, a statement of income and expenses received and made during the liquidation period and a financial report, which shall be verified by a Chinese registered accountant and submitted to the general meeting or relevant authorities for confirmation. MP160

The liquidation committee shall, within thirty (30) days after the confirmation of general meeting or relevant authorities, submit the documents referred to in the preceding paragraph to the company registration authorities and apply for cancellation of registration of the Company, and publish an announcement relating to the termination of the Company.

## **CHAPTER 22 PROCEDURES FOR AMENDMENT TO THE ARTICLES OF ASSOCIATION OF THE COMPANY**

183. The Company may amend its Articles of Association in accordance with the requirements of laws, administrative regulations and the Articles of Association. MP161
184. Amendment of the Articles of Association involving the contents of the Mandatory Provisions shall become effective upon receipt of approval from the companies approving authorities authorised by the State Council and the China Securities Regulatory Commission. If there is any change relating to the registered particulars of the Company, application shall be made for change in registration in accordance with laws. MP162

## **CHAPTER 23 RESOLUTION OF DISPUTES**

185. The Company shall abide by the following principles for dispute resolution: MP163
- (1) Whenever any disputes or claims arise between: holders of the Overseas Listed Foreign Shares and the Company; holders of the Overseas Listed Foreign Shares and the Company's Directors, Supervisors, General Manager or other senior management personnel; or holders of the Overseas Listed Foreign Shares and holders of Domestic Shares, in relation to the affairs of the Company arising as a result of any rights or obligations arising from the Articles of Association, the Company Law, Special Regulations or other relevant laws and administrative regulations, such disputes or claims shall be referred by the relevant parties to arbitration.

Where a dispute or claim of rights referred to in the preceding paragraph is referred to arbitration, the entire claim or dispute must be referred to

arbitration, and all persons who have a cause of action based on the same facts giving rise to the dispute or claim or whose participation is necessary for the resolution of such dispute or claim, shall, where such person is the Company or the Company's shareholders, Directors, Supervisors, General Manager or other senior management personnel, comply with the decisions made in the arbitration.

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

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

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

- (3) If any disputes or claims of rights are settled by means of arbitration in accordance with sub-paragraph (1) of this Article, the laws of the PRC shall apply, save as otherwise provided in the laws and administrative regulations.
- (4) The judgement of an arbitral body shall be final and conclusive and binding on all parties.

## **CHAPTER 24 SUPPLEMENTARY PROVISIONS**

186. Unless otherwise stipulated in the Articles of Association, the notices, information or written statements to the H Shareholders shall be delivered by courier or by mail, according to the address registered in the shareholder register (including address outside Hong Kong), to such shareholders. The notices to H shareholders should be mailed in Hong Kong wherever possible. The newspapers and periodicals used to post the announcements in accordance with the Articles of Association should be those specified or required by the relevant State laws or administrative regulations. If announcements are issued to holders of foreign listed shares in accordance with the Articles of Association, the
- A3-7(2) &  
(3)

relevant announcements should also be posted on “newspapers and periodicals” specified or required by the listing rules of Hong Kong Stock Exchange pursuant to their definition contained in the said listing rules. The notices issued by the Company to domestic shareholders should be posted on one or more newspapers and periodicals specified by the State securities administrative authorities in the form of announcements. Once the announcements have been posted, all domestic shareholders are deemed to have received the relevant notices. A3-7(1)

187. In the Articles of Association, references to “accounting firm” shall have the same meaning as “auditors”. MP165
188. The Company’s Articles of Association are written in Chinese. If there is any discrepancy between the Chinese version and that in any other languages, the Chinese version shall prevail.