

*(Note: This English translation of the Articles of Association of the Company is for reference only. In case of inconsistency between the Chinese versions of the Company's Articles of Association and this English translation, the original Chinese version shall prevail.)*

# **EVOC Intelligent Technology Company Limited** **(研祥智能科技股份有限公司)**

## **Articles of Association**

**(Amended by the resolution adopted in the general meeting of the Company dated 29 June 2020 )**

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# **EVOC Intelligent Technology Company Limited**

## **(研祥智能科技股份有限公司)**

### **Articles of Association**

#### **Chapter 1 General Provisions**

Article 1.01 In accordance with the Standard Opinion for Joint Stock Limited Companies, the company is a joint stock limited company (hereinafter referred to as the “Company”) incorporated pursuant to the Company Law of the People’s Republic of China (hereinafter referred to as the “Company Law”), the Special Regulations on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies Promulgated by the State Council (hereinafter referred to as the “Special Regulations”) and other relevant laws and standards of administrative regulations of China.

As approved by the document (Shen Fu Letter No. [2000]89) of Shenzhen People’s Government, the Company was incorporated by way of promotion on 8 December 2000 and proceeded with the registration for alteration with Shenzhen Administration for Industry and Commerce on 19 January 2001 and obtained the business licence. Its current business licence number is 4403011054844.

The promoters of the Company are: Shenzhen Yanxiang Wangke Industry Co., Ltd. (深圳市研祥旺客實業有限公司) (now known as EVOC Hi-Tech. Holding Group Co., Ltd. (研祥高科技控股集團有限公司)), Shenzhen Haoxuntong Industry Co. Ltd. (深圳市好訊通實業有限公司), Shenzhen Longrun Industry Development Co., Ltd. (深圳市龍潤實業發展有限公司), Shenzhen Kelijian Electronic Industry Co., Ltd. (深圳市科利鍵電子實業有限公司), and Beijing Hejixing Automation Complete Equipment Development Centre (北京和記星自動化成套設備開發中心).

(Mandatory Provision 1)

Article 1.02 Registered Company Name: Chinese Name: 研祥智能科技股份有限公司  
English name for reference: EVOC Intelligent Technology  
Company Limited

(Mandatory Provision 2)

Article 1.03 Residence: EVOC Technology Building, No. 31 Gaoxin Central Avenue 4th Road, Nanshan District, Shenzhen, Postal code: 518057, Tel: (0755) 86255888, Fax: (0755) 86255788.

(Mandatory Provision 3)

Article 1.04 Chairman is the legal representative of the Company.

(Mandatory Provision 4)

Article 1.05 The Company is a perpetual joint stock limited company.

The rights and liabilities of the shareholders are limited to their shareholding in the Company. The debt accountability of the Company is subject to its entire assets.

The Company is an independent legal person governed and protected by the laws and administrative regulations of the People's Republic of China.

(Mandatory Provision 5)

Article 1.06 The Company is subject to the Company Law, the Special Regulations, the Mandatory Provisions for Articles of Association of Companies Seeking Overseas Listing (hereinafter referred to as "Mandatory Provisions") and relevant provisions of other laws and administrative regulations of China. Its annual general meeting was convened on 13 April 2002 to amend its original articles of association (hereinafter referred to as the "original articles of association") and draw up this Articles of Association (hereinafter referred to as the "Articles of Association" or "these presents").

After the registration formalities were completed with the relevant Administration for Industry and Commerce, the original articles of association had taken effect since the date of incorporation of the Company. The Articles of Association, having been adopted by way of a special resolution passed in the general meeting of shareholders of the Company and approved by the relevant authority of China, shall take effect from the date of listing of foreign shares (H shares) overseas on the main board of The Stock Exchange of Hong Kong Limited (hereinafter referred to as the "Stock Exchange of Hong Kong"). Upon taking effect, the Articles of Association shall supersede the existing articles of association.

Starting from its effective date, the Articles of Association shall become the document legally binding on the standardization of the organization and

conduct of the Company, and the rights and obligations between the Company and its shareholders, as well as among the shareholders.

(Mandatory Provision 6)

Article 1.07 The Articles of Association shall be binding on the Company and its shareholders, directors, supervisors, managers and other senior management. Based on the Articles of Association, the aforesaid personnel may raise claims for rights related to the matters of the Company.

Based on the Articles of Association, the shareholders may instigate litigation against the Company. Based on the Articles of Association, the Company may instigate litigation against the shareholders. Based on the Articles of Association, the shareholders may instigate litigation against the shareholders. Based on the Articles of Association, the shareholders may instigate litigation against the directors, supervisors, managers and other senior management of the Company.

Instigating litigation as mentioned in the preceding clause includes instigating litigation before the court or applying to the arbitration institution for arbitration.

(Mandatory Provision 7)

Article 1.08 The Company may invest in other limited companies and joint stock limited companies, with its accountability limited to the capital contributed for the companies in which it invested.

The Company shall not become the shareholder with unlimited liability of other profit-making organizations.

Having been approved by the company approval department authorized by the State Council, the Company is permitted to operate as a holding company in accordance with Section 12(2) of the Company Law, based on its requirements for operation and management.

(Mandatory Provision 8)

Article 1.09 On the premise of complying with the laws and administrative regulations in China, the Company is entitled to financing or borrowing, which include (but not limited to) issuing bonds and taking all or a part of its assets and business for the purpose of security or pledge, as well as other rights permitted by the laws and administrative regulations in China. The Company is also entitled to

providing guarantee for any third party but shall not damage or repeal the rights of the shareholders of any classes.

## **Chapter 2 Business Objectives and Scope**

Article 2.01 The business objectives of the Company are: taking advantage of the existing leading edge technology and economies of scale, continue to pursue technological advancement, place electronic products of new and advanced technology on top priority of the consolidated development, take the initiative to develop operation in other areas, endeavor to turn the Company into a technology-intensive enterprise featuring high technology, as well as high value added and highly efficient operation, so as to maximize the economic return for the shareholders of the Company.

(Mandatory Provision 9)

Article 2.02 The business scope of the Company shall be subject to that approved by the company registration authority.

The business scope of the Company shall include: research, development, manufacture and operation of special computers, communication equipment, communication products and components (with production under the operation of its branch), the automatic control system with auxiliary equipment, the innovative electronic components, as well as the exclusive equipment, instruments, tools and moulds for electronic products, the after-sale maintenance and repair services for the relevant products mentioned above, the import and export operation, industrial investment, property management, advertising operation (as for advertising operation subject to the approval and registration as required by the laws and the administrative regulations, it shall be carried out only after separate approval and registration is obtained), leasing of self-owned properties, car park management and the general cargo transportation (the operation, which excludes the transportation of dangerous goods, is subject to the effective licence for road transport operation), organise exhibitions, conferences as well as providing services in conducting various forums and information exchange seminars.

(Mandatory Provision 10)

Article 2.03 Upon approval by relevant government authorities, the Company may timely adjust the investment policy, as well as the business scope and means, based

on the domestic and international market trend, the development requirements for domestic business, the capability of self-development and the business requirements of the Company, and set up branches and offices (whether wholly owned or not) in the domestic and foreign territories as well as Hong Kong, Macau and Taiwan.

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

Article 3.01 The Company shall have ordinary shares at any time, and, after having been approved by the company approval department authorized by the State Council, may have other classes of shares as required by the Company.

(Mandatory Provision 11)

Article 3.02 The shares of the Company are issued at the par value of RMB1 each. With the approval granted by the securities authority of the State Council, the Company may reduce the par value of its shares to RMB0.10 each.

(Mandatory Provision 12)

Article 3.03 With the approval granted by the securities authority of the State Council, the Company may issue shares to both domestic and overseas investors.

The overseas investors mentioned in the preceding clause refer to the investors from foreign territories, Hong Kong, Macau and Taiwan who subscribe for the shares issued by the Company whereas the domestic investors refer to the investors in the People's Republic of China, other than those from the territories mentioned above, who subscribe for the shares issued by the Company.

(Mandatory Provision 13)

Article 3.04 The shares issued by the Company for subscription in Renminbi by the domestic investors shall be referred to as the domestic shares. The shares issued by the Company for subscription in foreign currency by the overseas investors shall be referred to as the foreign shares. The foreign shares listed overseas shall be referred to as the overseas listed foreign shares. Both shareholders of the domestic shares and the shareholders of the overseas listed foreign shares are shareholders of ordinary shares and entitled to the same obligations and rights.

The foreign currency mentioned in the preceding clause refers to the legal currency of any other country or district, which is authorized by the foreign exchange authority in China to settle the subscription for shares with the Company, other than Renminbi.

The foreign shares issued by the Company for listing in Hong Kong are referred to as H shares. H shares refer to the shares with its par value denominated in Renminbi and permitted to be listed on the Stock Exchange of Hong Kong for subscription and trading in Hong Kong Dollars.

(Mandatory Provision 14)

Article 3.05 (A) Having been approved by the document (Shen Fu Letter No. [2000]89) of Shenzhen People's Government on 7 December 2000, a total of 35,030,000 ordinary shares of RMB1 each were issued when the Company was incorporated. The total share capital of the Company is RMB35,030,000. The equity structure of the Company upon being incorporated was:

- (1) 31,842,270 shares representing 90.9% of the total number of ordinary shares which the Company was authorized to issue were held by Shenzhen Yanxiang Wangke Industry Co., Ltd. (深圳市研祥旺客實業有限公司) (now known as EVOC Hi-Tech. Holding Group Co., Ltd. (研祥高科技控股集團有限公司)), a promoter of the Company;
- (2) 1,751,500 shares representing 5% of the total number of ordinary shares which the Company was authorized to issue were held by Shenzhen Haoxuntong Industry Co. Ltd. (深圳市好訊通實業有限公司), a promoter of the Company;
- (3) 1,085,930 shares representing 3.1% of the total number of ordinary shares which the Company was authorized to issue were held by Shenzhen Longrun Industry Development Co., Ltd. (深圳市龍潤實業發展有限公司), a promoter of the Company;
- (4) 175,150 shares representing 0.5% of the total number of ordinary shares which the Company was authorized to issue were held by Shenzhen Kelijian Electronic Industry Co., Ltd. (深圳市科利鍵電子實業有限公司), a promoter of the Company;
- (5) 175,150 shares representing 0.5% of the total number of ordinary shares which the Company was authorized to issue were held by Beijing Hejixing Automation Complete Equipment Development



Centre (北京和記星自動化成套設備開發中心), a promoter of the Company;

- (B) Having been approved by the company approval department authorized by the State Council and the securities authority of the State Council, the Company has been permitted to issue the ordinary shares at the reduced par value of RMB0.10 each for the second capital increase including not less than 116,800,000 shares representing not less than 25% of the total number of ordinary shares of the Company after the second capital increase.

(Mandatory Provision 15)

Article 3.06 After shares for the second capital increase were issued, the number of ordinary shares of the Company has been changed to the total of not less than 467,100,000 shares of RMB0.10 each, with the share capital increased to the total of not less than RMB46,710,000. The equity structure of the Company has been changed as follows:

- (1) 318,422,700 shares representing 68.17% of the total number of ordinary shares which the Company was authorized to issue were held by Shenzhen Yanxiang Wangke Industry Co., Ltd. (深圳市研祥旺客實業有限公司) (now known as EVOC Hi-Tech. Holding Group Co., Ltd. (研祥高科技控股集團有限公司)), a promoter of the Company;
- (2) 17,515,000 shares representing 3.75% of the total number of ordinary shares which the Company was authorized to issue were held by Shenzhen Haoxuntong Industry Co. Ltd. (深圳市好訊通實業有限公司), a promoter of the Company;
- (3) 10,859,300 shares representing 2.32% of the total number of ordinary shares which the Company was authorized to issue were held by Shenzhen Longrun Industry Development Co., Ltd. (深圳市龍潤實業發展有限公司), a promoter of the Company;
- (4) 1,751,500 shares representing 0.38% of the total number of ordinary shares which the Company was authorized to issue were held by Shenzhen Kelijian Electronic Industry Co., Ltd. (深圳市科利鍵電子實業有限公司), a promoter of the Company;
- (5) 1,751,500 shares representing 0.3878% of the total number of ordinary shares which the Company was authorized to issue were held by Beijing

Hejixing Automation Complete Equipment Development Centre (北京和記星自動化成套設備開發中心), a promoter of the Company;

- (6) Not less than 116,800,000 shares were held by the shareholders of the foreign shares (H shares) listed overseas.

Article 3.06A (A) According to the resolution of turning the capital reserve into the increased share capital, which was passed in the general meeting of shareholders of the Company on 30 May 2006, the Company distributed the capital reserve totalling RMB56,052,000 as bonus shares to all shareholders of the Company on the basis of 12 bonus shares for every 10 ordinary shares held.

- (B) After turning the capital reserve into the increased share capital in this case, the total number of ordinary shares of the Company has been changed to 1,027,620,000 shares of RMB0.10 each, with the total share capital of the Company increased to RMB102,762,000. The equity structure of the Company has been changed as follows:

- (1) 700,529,940 shares representing 68.17% of the total number of ordinary shares which the Company was authorized to issue were held by Shenzhen Yanxiang Wangke Industry Co., Ltd. (深圳市研祥旺客實業有限公司 (now known as EVOC Hi-Tech. Holding Group Co., Ltd. (研祥高科技控股集團有限公司)), a promoter of the Company;
- (2) 38,533,000 shares representing 3.75% of the total number of ordinary shares which the Company was authorized to issue were held by Shenzhen Haoxuntong Industry Co. Ltd. (深圳市好訊通實業有限公司), a promoter of the Company;
- (3) 23,890,460 shares representing 2.32% of the total number of ordinary shares which the Company was authorized to issue were held by Shenzhen Longrun Industry Development Co., Ltd. (深圳市龍潤實業發展有限公司), a promoter of the Company;
- (4) 3,853,300 shares representing 0.38% of the total number of ordinary shares which the Company was authorized to issue were held by Shenzhen Kelijian Electronic Industry Co., Ltd. (深圳市科利鍵電子實業有限公司), a promoter of the Company;
- (5) 3,853,300 shares representing 0.38% of the total number of ordinary shares which the Company was authorized to issue were held by

Beijing Hejixing Automation Complete Equipment Development Centre (北京和記星自動化成套設備開發中心), a promoter of the Company; and

- (6) Not less than 256,960,000 shares representing not less than 25% of the total number of ordinary shares which the Company was authorized to issue were held by the shareholders of the foreign shares (H shares) listed overseas.

Article 3.06B (A) According to the resolution of turning the capital reserve into the increased share capital, which was passed in the general meeting of shareholders of the Company on 30 May 2007, the Company distributed the capital reserve totalling RMB20,552,400 as bonus shares to all shareholders of the Company on the basis of 2 bonus shares for every 10 ordinary shares held.

(B) After turning the capital reserve into the increased share capital in this case, the total number of ordinary shares of the Company has been changed to 1,233,144,000 shares of RMB0.10 each, with the total share capital of the Company increased to RMB123,314,400. The equity structure of the Company has been changed as follows:

- (1) 840,635,928 shares representing 68.17% of the total number of ordinary shares which the Company was authorized to issue were held by Shenzhen Yanxiang Wangke Industry Co., Ltd. (深圳市研祥旺客實業有限公司) (now known as EVOC Hi-Tech. Holding Group Co., Ltd. (研祥高科技控股集團有限公司)), a promoter of the Company;
- (2) 46,239,600 shares representing 3.75% of the total number of ordinary shares which the Company was authorized to issue were held by Shenzhen Haoxuntong Industry Co. Ltd. (深圳市好訊通實業有限公司), a promoter of the Company;
- (3) 28,668,552 shares representing 2.32% of the total number of ordinary shares which the Company was authorized to issue were held by Shenzhen Longrun Industry Development Co., Ltd. (深圳市龍潤實業發展有限公司), a promoter of the Company;
- (4) 4,623,960 shares representing 0.38% of the total number of ordinary shares which the Company was authorized to issue were held by Shenzhen Kelijian Electronic Industry Co., Ltd. (深圳市科利鍵電子實業有限公司), a promoter of the Company;

- (5) 4,623,960 shares representing 0.38% of the total number of ordinary shares which the Company was authorized to issue were held by Beijing Hejixing Automation Complete Equipment Development Centre (北京和記星自動化成套設備開發中心), a promoter of the Company; and
- (6) Not less than 308,352,000 shares representing not less than 25% of the total number of ordinary shares which the Company was authorized to issue were held by the shareholders of the foreign shares (H shares) listed overseas.

Article 3.06C Base on the equity transfer agreements signed by the shareholders of the Company, namely Shenzhen Longrun Industry Development Co., Ltd. (深圳市龍潤實業發展有限公司), Shenzhen Kelijian Electronic Industry Co., Ltd. (深圳市科利鍵電子實業有限公司), Beijing Hejixing Automation Complete Equipment Development Centre (北京和記星自動化成套設備開發中心) with Shenzhen Yanxiang Wangke Industry Co., Ltd. (深圳市研祥旺客實業有限公司) (now known as EVOC Hi-Tech. Holding Group Co., Ltd. (研祥高科技控股集團有限公司)) respectively on 28 October 2009, the shareholders of the Company, namely Shenzhen Longrun Industry Development Co., Ltd. (深圳市龍潤實業發展有限公司), Shenzhen Kelijian Electronic Industry Co., Ltd. (深圳市科利鍵電子實業有限公司), Beijing Hejixing Automation Complete Equipment Development Centre (北京和記星自動化成套設備開發中心) respectively transferred, by way of agreement, their respective equity of 28,668,552 shares (representing 2.32% of the total number of ordinary shares issued by the Company), 4,623,960 shares (representing 0.38% of the total number of ordinary shares issued by the Company), and 4,623,960 shares (representing 0.38% of the total number of ordinary shares issued by the Company) to Shenzhen Yanxiang Wangke Industry Co., Ltd. (深圳市研祥旺客實業有限公司) (now known as EVOC Hi-Tech. Holding Group Co., Ltd. (研祥高科技控股集團有限公司)). The equity structure of the Company has been changed as follows:

- (1) 878,552,400 shares representing 71.25% of the total number of ordinary shares which the Company was authorized to issue were held by Shenzhen Yanxiang Wangke Industry Co., Ltd. (深圳市研祥旺客實業有限公司) (now known as EVOC Hi-Tech. Holding Group Co., Ltd. (研祥高科技控股集團有限公司)), a promoter of the Company;
- (2) 46,239,600 shares representing 3.75% of the total number of ordinary shares which the Company was authorized to issue were held by Shenzhen

Haoxuntong Industry Co. Ltd. (深圳市好訊通實業有限公司), a promoter of the Company;

- (3) Not less than 308,352,000 shares representing not less than 25% of the total number of ordinary shares which the Company was authorized to issue were held by the shareholders of the foreign shares (H shares) listed overseas.

Article 3.07 Under the plan of the Company which has been approved by the securities authority of the State Council for issuing foreign shares listed overseas and the domestic shares, the Board of Directors of the Company is authorized to implement the arrangement for separate issues.

Within 15 months from the date of approval by the China Securities Regulatory Commission, the Company is authorized to implement separately according to the plan of issuing foreign shares listed overseas and the plan of issuing domestic shares separately as provided in the preceding clause.

(Mandatory Provision 17)

Article 3.08 Within the total number of shares confirmed in the issue plan of the Company, the required capital shall be fully raised in one issue for the overseas listed foreign shares and the domestic shares separately. In the event of failure to fully raise the required capital in one issue under exceptional circumstances, several issues are also permitted upon approval by the China Securities Regulatory Commission.

(Mandatory Provision 18)

Article 3.09 Upon completion of turning the capital reserve into the increased share capital of the Company, the registered capital of the Company shall not be less than RMB123,314,400. The actual registered capital of the Company shall be subject to the amount after turning the capital reserve into the increased share capital. Upon completion of turning the capital reserve into the increased share capital, the Company shall confirm the actual amount of the registered capital based on the capital verification report issued by the certified public accountant, and apply to the original registration authority for registration of the alteration of the registered capital.

(Mandatory Provision 19)

Article 3.10 Based on the requirements for operation and development, the Company may approve the capital increase according to relevant stipulations of the Articles of Association.

The Company may increase capital by way of the following:

- (1) by issuing new shares to non-specified investors to raise fund;
- (2) by issuing new shares to existing shareholders by means of placement;
- (3) by distributing new shares to existing shareholders;
- (4) by other means permitted by the laws and administrative regulations.

After issuing new shares to increase the capital of the Company as approved by the Articles of Association, the Company shall proceed with the formalities according to the procedure required by the relevant laws and administrative regulations in China as well as the registration of alteration with the company registration authority, and make the relevant announcement.

(Mandatory Provision 20)

Article 3.11 Except when required otherwise by the laws and administrative regulations, the shares of the Company may be transferred freely without any lien attached.

(Mandatory Provision 21, Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited - Section 1(2) of Appendix 3)

Article 3.12 Upon transfer of the shares of the Company, the name of the transferee shall be recorded in the share register and become the shareholder of such shares.

(Comments of Hong Kong Registrars Limited)

Article 3.13 As stipulated by Article 6.04 of the Articles of Association, the issue or transfer of all overseas listed foreign shares which are listed on the Stock Exchange of Hong Kong shall be recorded in the share register for overseas listed foreign shares of the Company placed in Hong Kong.

(Comments of Hong Kong Registrars Limited)

Article 3.14 Any shareholders of overseas listed foreign shares which are listed on the Stock Exchange of Hong Kong shall make use of the common written transfer documents prevailing in Hong Kong or any other written transfer instrument accepted by the Board of Directors of the Company to transfer all or a part of the shares held. The transfer documents shall be signed by the transferor and

the transferee or by means of machine printed signature.

(Comments of Hong Kong Registrars Limited)

In the event that the shareholder is an authorized clearing house or its nominee (hereinafter referred to as the “recognized clearing house”) defined by Hong Kong laws, the transfer form may be signed by hand or by means of machine printed signature.

(Comments of Hong Kong Registrars Limited)

All transfer instruments shall be placed at the legal address of the Company or any other place which the Board of Directors may specify from time to time.

Article 3.15 The Company shall ensure that the share certificates of all overseas listed foreign shares contain the following terms, and instruct or procure its share registrar to refuse to register any persons as the shareholder of the subscribed, purchased or transferred shares of the Company unless and until the said person has presented to the share registrar the letter of transfer related to such shares duly signed and the share certificate sample attached with the following terms or terms of similar meaning agreed by the Board of Directors:

- (1) The purchaser gives consent to the Company and the shareholders of the Company, and the Company also gives consent to its shareholders to observe and comply with the Company Law and other relevant laws, administrative regulations and the Articles of Association;
- (2) The purchaser gives consent to the Company, and the shareholders, directors, supervisors and officers of the Company, and the Company representing itself and its shareholders, directors, supervisors and officers gives consent to its shareholders to proceed with the arbitration according to the Articles of Association for all disputes and claims arising from the Articles of Association, or the disputes and claims arising from any rights or obligations attached to or required by the Company Law, and other relevant laws and administrative regulations, and to proceed with the arbitration and the purchaser shall be deemed as having authorized the arbitration tribunal to proceed with open hearing and announce the outcome to the public, and the award of arbitration shall be final;
- (3) The purchaser and the Company and the shareholders of the Company give consent that the shares of the Company shall be freely transferrable by the shareholders;

- (4) The purchaser authorizes the Company to represent the purchaser to conclude a contract with the directors and officers of the Company that the directors and officers shall undertake to comply with their responsibilities to the shareholders as stipulated in the Articles of Association.

Article 3.16 Regarding the exercise of the power to cease sending dividend warrants by post, if such dividend warrants have been left uncashed, then such power shall be exercised only after such dividends warrants have been left uncashed for two consecutive times. However, such power may also be exercised on the first occasion on which such warrants are undelivered and returned.

The Company shall be entitled to sell the shares of a shareholder who is untraceable and retain the proceeds, if:

- (1) during a period of twelve years, at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed by the shareholder; and
- (2) on expiry of the period of twelve years, the Company, having been approved by the securities regulatory authority of the State Council, gives notice of its intention to sell the shares by way of an announcement published in the newspapers and notifies the said authority and the relevant overseas securities regulatory authority of such intention.

(Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited - Section 13(1) & (2) of Appendix 3)

## **Chapter 4 Capital Reduction and Share Repurchase**

Article 4.01 As prescribed by the Articles of Association, the Company may decrease its registered capital.

(Mandatory Provision 22)

Article 4.02 For the purpose of decreasing its registered capital, the Company shall compile the balance sheet and the property inventory.

The Company shall inform the creditors within ten days from the date of adopting the resolution of reducing the registered capital and publish the announcement at least three times in the newspaper within thirty days. The



creditors shall, within thirty days from the date of receiving the notice, and those having not received the notice shall, within ninety days from the date of the first announcement, be entitled to request the Company to reimburse the debts or provide corresponding guarantee for reimbursement of the debts.

The registered capital of the Company shall not be less than the minimum authorized capital after the capital reduction.

(Mandatory Provision 23, Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited - Section 7(1) of Appendix 3)

Article 4.03 Under the following circumstances, the Company shall, by way of the procedure prescribed by the Articles of Association, report to the relevant authority in China for approval to repurchase its shares in issue:

- (1) Share cancellation for the purpose of reducing the capital of the Company;
- (2) Merger with the other company holding the shares of the Company;
- (3) Other circumstances permitted by the laws or administrative regulations.

(Mandatory Provision 24)

Article 4.04 The Company may, with the approval of the relevant authorities in China for repurchasing its shares, conduct the repurchase in one of the following ways:

- (1) The pro rata general offer of repurchase to all of its shareholders;
- (2) Share repurchase through public dealing on the stock exchange;
- (3) Repurchase by agreement other than on the stock exchange.

(Mandatory Provision 25)

Article 4.05 In respect of the Company's entitlement to repurchase the redeemable shares of the Company:

- (1) If the shares are repurchased neither in the market nor by tender, the price shall not exceed a maximum amount;
- (2) In case of repurchase by tender, the same tender shall be proposed to all the shareholders.

(Comments of Hong Kong Registrars Limited, Rules Governing the Listing of

Securities on The Stock Exchange of Hong Kong Limited - Section 8(1) & (2)  
of Appendix 3)

Article 4.06 For share repurchase by way of agreement other than via the stock exchange, the Company shall obtain the approval in the general meeting of shareholders as prescribed by the Articles of Association in advance. Having been approved in the general meeting of shareholders in the same manner, the Company may discharge or alter the contract already concluded by the foregoing means, or waive any of its rights in the contract.

The contract for share repurchase mentioned in the preceding clause shall include (but not limited to) the agreement of giving consent to undertake the obligation of share repurchase and obtain the right of share repurchase.

The Company shall not transfer the contract for repurchasing its shares or any of the rights prescribed by the contract.

(Mandatory Provision 26)

Article 4.07 After the repurchase of shares by the Company according to the laws, the Company shall cancel the shares repurchased within the period prescribed by laws and administrative regulations and shall apply to the original company registration authority for registration of alteration of its registered capital.

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

(Mandatory Provision 27)

Article 4.08 Unless the Company is in the course of liquidation, it shall comply with the following provisions in relation to the repurchase of its shares in issue:

- (1) Where the Company repurchases shares at par value, the payment shall be made out of the book surplus on the distributable profits of the Company or out of the proceeds of the new shares issued for such purpose;
- (2) Where the Company repurchases its shares at a premium to its par value, the payment up to the par value may be made out of the book surplus on the distributable profits of the Company or out of the proceeds of the new shares issued for such purpose. The payment for the portion in excess of the par value shall be effected as follows:

1. Where the shares being repurchased were issued at par value, the payment shall be made out of the book surplus on the distributable profits of the Company;
  2. Where the shares being repurchased were issued at a premium to its par value, the payment shall be made out of the book surplus on the distributable profits of the Company or out of the proceeds of the new shares issued for such purpose, provided that the amount paid out of the proceeds of the new issue shall not exceed the total amount of premium received by the Company on the issue of the shares repurchased nor shall it exceed the book value of the capital reserve account (including the premium on the new issue) of the Company at the time of the repurchase;
- (3) The Company shall make the following payment out of the distributable profits of the Company:
1. For the acquisition of the right to repurchase its shares;
  2. For the alternation of the contract for the repurchase of its shares;
  3. For the release of its obligations under the contract for the repurchase;
- (4) After the total par value of the cancelled shares has been deducted from the registered capital of the Company in accordance with relevant provisions, the amount deducted from the distributable profits of the Company for the payment of the par value of shares repurchased shall be credited to the capital reserve account of the Company.

(Mandatory Provision 28)

## **Chapter 5 Financial Assistance for the Purchase of Company Shares**

Article 5.01 The Company or its subsidiary shall not, at any time, provide any form of financial assistance to a person who is purchasing or proposes to purchase the shares of the Company. The foregoing purchaser of the shares of the Company shall include the person who assumes obligations directly or indirectly as a result of purchasing the shares of the Company.

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

This article shall not apply to the circumstances mentioned in Article 5.03 of this chapter.

(Mandatory Provision 29)

Article 5.02 The financial assistance mentioned in this chapter shall include (but not limited to) the following means:

- (1) The gift;
- (2) The guarantee (including the assumption of liability or the provision of assets by the guarantor to secure the performance of obligations by the obligor), compensation (other than the compensation caused by its own default of the Company), or release or waiver of any rights;
- (3) The provision of loan or entering into any contracts under which the obligations of the Company shall be fulfilled before the obligations of the other party, as well as the change of the parties to, or the assignment of rights under such loan or contract;
- (4) Any other form of financial assistance provided by the Company in the event of insolvency, having no net assets or being likely to cause its net assets to be reduced significantly.

The assumption of obligations mentioned in this chapter shall include the assumption of obligations by the obligor resulting from entering into a contract or making an arrangement (no matter whether the contract or the arrangement is enforceable, and whether assumed independently by the obligor or jointly with others) or from the change of the obligor's financial position by any other means.

(Mandatory Provision 30)

Article 5.03 The following actions shall not be deemed to be prohibited by Article 5.01 of this chapter:

- (1) The financial assistance is provided by the Company in good faith in the interests of the Company, and the principal purpose of which is not for purchasing the shares of the Company, or the said financial assistance is an incidental part of a general plan of the Company;
- (2) The lawful distribution of the assets of the Company by way of dividend;

- (3) The distribution of share dividends in the form of shares;
- (4) The reduction of registered capital, repurchase of shares or reorganization of the equity structure of the Company effected in accordance with the Articles of Association;
- (5) The provision of loans by the Company within its scope of operation for its ordinary business activities (provided that the net assets of the Company are not thereby reduced or, to the extent that the assets are thereby reduced, the said financial assistance is provided out of the distributable profits);
- (6) The contribution made by the Company to the employee share ownership plan (provided that the net assets of the Company are not thereby reduced or, to the extent that the assets are thereby reduced, the said financial assistance is provided out of the distributable profits).

(Mandatory Provision 31)

## **Chapter 6 Share Certificates and Share Register**

Article 6.01 The share certificates of the Company shall be in registered form.

The share certificates of the Company shall set out the following major items:

- (1) Name of the Company;
- (2) The incorporation date of the Company;
- (3) The class, par value and number of shares represented by the share certificates;
- (4) The stock code;
- (5) Other matters which shall be set out as required by the Company Law and Special Regulations; and
- (6) Other matters which shall be set out as required by the stock exchange(s) on which the shares are listed.

(Mandatory Provision 32, Comments of Hong Kong Registrars Limited)

Article 6.02 Share certificates of the Company shall be signed by its Chairman. Where the signatures of other senior officers of the Company are required by the stock

exchange(s) on which the shares of the Company are listed, the share certificates shall also be signed by such other senior officers. The share certificate shall take effect upon affixing the securities seal of the Company thereon. The affixture of the seal of the Company on the share certificate shall be authorized by the Board of Directors. The signatures of Chairman or other relevant senior officers of the Company appearing on the share certificates may also be printed.

(Mandatory Provision 33, Supplementary Opinion (1), Comments of Hong Kong Registrars Limited, Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited - Section 2(1) of Appendix 3)

Article 6.03 The Company shall keep a share register to contain the following particulars:

- (1) The name, address (residence) and occupation or nature of each shareholder;
- (2) The class and quantity of shares held by each shareholder;
- (3) The amount paid or payable in respect of the shares held by each shareholder;
- (4) The share certificate numbers of the shares held by each shareholder;
- (5) The date on which each shareholder was registered as a shareholder;
- (6) The date on which each shareholder ceased to be the shareholder.

The share register shall be the sufficient evidence of the shareholders' shareholding in the Company, unless there is evidence to the contrary.

(Mandatory Provision 34)

Article 6.04 The Company may, pursuant to any understanding or agreement reached between the securities regulatory authority under the State Council and the overseas securities regulatory authority, keep the share register of the overseas listed foreign shares outside China, and entrust its administration to an overseas agency. Such original share register of overseas listed foreign shares listed on the Stock Exchange of Hong Kong shall be kept in Hong Kong, with its administration entrusted to an agency in Hong Kong.

The Company shall keep a copy of the share register of the overseas listed foreign shares at the residence of the Company; the entrusted overseas agency

shall ensure that the original and copies of the share register of the overseas listed foreign shares are consistent at all times.

Where the original and copies of the register of overseas listed shareholders are not consistent, the original shall prevail.

(Mandatory Provision 35, Supplementary Opinion (2), Comments of Hong Kong Registrars Limited, Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited - Section 1(b) of Appendix 13D

Article 6.05 The Company shall keep a complete share register.

The share register shall include the following counterparts:

- (1) The share register kept at the residence of the Company, other than the counterparts required in Item (2) and (3) of this Article;
- (2) The share register of the overseas listed foreign shares of the Company kept at the place of the stock exchange(s) on which the shares are listed;
- (3) The share register kept in such other place decided by the Board of Directors as required for listing purpose.

(Mandatory Provision 36, Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited - Section 1(b) of Appendix 13D

Article 6.06 All counterparts of the share register shall not be overlapped. No transfer of shares registered in any counterpart of the share register shall, during the continuance of that registration, be registered in any other counterpart of the share register.

All paid-up overseas listed foreign shares listed on the Stock Exchange of Hong Kong shall be freely transferable in accordance with the Articles of Association subject to the right of the Board of Directors to refuse recognition of any transfer instrument, without providing any reason for such refusal, unless the following conditions are satisfied:

- (1) Payment to the Company of a fee of HK\$2.50 for each transfer instrument, or such smaller amount as may be required by the Board of Directors from time to time (provided that such fee shall not exceed the maximum fee stipulated by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited from time to time) for the registration of any transfer instrument(s) and other document(s) related to the ownership of the shares in question or likely to affect the ownership of those shares;

- (2) The transfer instrument relates only to overseas listed foreign shares listed on the Stock Exchange of Hong Kong;
- (3) Payment of the stamp duty due from the transfer instrument;
- (4) Submission of the relevant share certificates and any other evidence reasonably required by the Board of Directors to prove the transferor's right to transfer the shares;
- (5) If the shares are proposed to be transferred to joint shareholders, the number of joint shareholders shall not exceed four (4);
- (6) The relevant shares are free from all liens of the Company.

The alteration and rectification of each counterpart of the share register shall be conducted in accordance with the laws of the place where it is kept.

In the event of its refusal to register the transfer of shares, the Company shall provide the transferor and the transferee with a written notice for refusing to register the transfer of shares within two months from the date of submitting the formal application for the transfer.

The foregoing transfer may make use of the standard form of transfer prescribed by the Stock Exchange of Hong Kong.

(Mandatory Provision 37, Supplementary Opinion (12), Comments of Hong Kong Registrars Limited, Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited - Section 1 of Appendix 3)

Article 6.07 No alteration of the share register shall be effected arising from the transfer of shares thirty days prior to the date of the general meeting of shareholders or within five (5) days prior to the date set for the purpose of determining dividend entitlements.

(Mandatory Provision 38)

Article 6.08 For the purposes of convening the general meeting of shareholders, distributing dividends, liquidation and engaging in other activities requiring the confirmation of shareholdings, the Board of Directors shall designate a day to be the date of confirming the shareholdings. Shareholders whose names appear on the share register at the end of that day shall be the shareholders of the Company.

(Mandatory Provision 39)



Article 6.09 Any person who challenges the information set out in the share register and requests to have his (its) name entered in or removed from the share register, may apply to the competent court for rectification of the share register.

(Mandatory Provision 40)

Article 6.10 Any person who is a registered shareholder on the share register or who requests to have his (its) name entered in the share register, may apply to the Company for a new share certificate in respect of such shares (i.e. the “relevant shares”) if his (its) share certificate (i.e. the “original share certificate”) has been lost.

In the event that the shareholders of domestic shares have lost their share certificates and applied for replacement, they shall be dealt with according to the provisions of Article 144 of the Company Law.

In the event that the shareholders of overseas listed foreign shares have lost their share certificates and applied for replacement, they may be dealt with according to the laws, stock exchange rules or other relevant requirements of the place where the original share register of overseas listed foreign shares is kept.

In the event that the shareholders of the overseas listed foreign shares listed on the Stock Exchange of Hong Kong apply for replacement of their lost share certificates, the issue of their replacement share certificates shall comply with the following requirements:

- (1) The applicant shall submit the application in the prescribed form of the Company accompanied by the notarial certificate or the statutory declaration stating the grounds upon which the application is made, the circumstances for such loss and the evidence thereof, other details based on the actual situation as the grounds for justifying the application, and that no other person shall be entitled to enter his name on the share register in respect of the relevant shares.
- (2) Prior to the decision to issue the new placement share certificate, the Company has not received any statement from any persons other than the applicant for having his name registered as the shareholder of the relevant shares.

- (3) The Company shall publish the announcement of its intention to issue the new replacement share certificate in the Chinese and English newspapers in Hong Kong as prescribed by the Board of Directors. The announcement shall, at least, be published repeatedly every 30 days for a period of 90 days.

(Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited - Section 7(1) of Appendix 3)

- (4) The Company shall, prior to publication of its announcement of its intention to issue the new replacement share certificate, deliver to the stock exchange on which the relevant shares are listed a copy of the announcement intending to be published. The announcement may be published immediately upon receiving the reply from the stock exchange confirming that the announcement has been displayed in its premises. Such announcement shall be displayed for a period of 90 days in the stock exchange.

In the event of having such application made for replacing the share certificates without the consent of the registered shareholder of the relevant shares, the Company shall send to such registered shareholder by post a photocopy of the announcement intending to be published;

- (5) If, upon expiry of the term of 90-day as required by Item (3) and (4) of this Article, the Company has not received from any person any other claim to the contrary in respect of the replacement share certificate, the Company may issue immediately the replacement share certificate as requested by the applicant.
- (6) Where the Company issues the replacement share certificate under this Article, it shall forthwith cancel the original share certificate, enter such cancellation and such replacement in the share register accordingly.
- (7) All expenses related to the cancellation of the original share certificate and the issue of the replacement share certificate by the Company shall be borne by the applicant. The Company shall be entitled to refuse to take any action until reasonable guarantee for such expenses is provided by the applicant.

(Mandatory Provision 41, Comments of Hong Kong Registrars Limited, Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited - Section 2(2) of Appendix 3)

Article 6.11 Where the Company issues the replacement share certificate in accordance with the Articles of Association, the name of the bona fide purchaser who has been issued the foregoing new share certificate or the shareholder (in case of bona fide purchaser) who is subsequently registered as the owner of such shares, shall not be removed from the share register.

(Mandatory Provision 42)

Article 6.12 The Company shall not be liable for any damages sustained by any person due to the cancellation of the original share certificate or the issue of the new replacement share certificate, unless the claimant proves that the Company has committed fraud.

(Mandatory Provision 43)

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

Article 7.01 A shareholder of the Company is a person who legally holds the shares of the Company and whose name has been recorded in the share register.

Shareholders shall enjoy rights and assume obligations according to the class and amount of shares held by them. Shareholders holding shares of the same class shall enjoy equal rights and assume same kind of obligations.

Any legal person who is the shareholder of the Company shall have his rights exercised on his behalf by his legal representative or the nominee of his legal representative or (if the shareholder is a recognized clearing house) the representative or agent of the recognized clearing house or his formally appointed proxy

Where two or more persons are the registered joint shareholders of any of the shares, they shall be deemed as the joint shareholders of the relevant shares. However, it shall not be necessary for the Company to register more than four persons as the joint shareholders of any of the shares.

(Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited - Section 1(3) of Appendix 3)

In the case of joint shareholders, on the death of any one of such joint shareholders, the survivor(s) shall be the only person or persons recognized by the Company as having the ownership of any such shares, but the Board of Directors may require such evidence of death as it may deem fit for the purpose of making amendments to the particulars in the share register. Only the person whose name stands first in the share register as one of the joint shareholders of any share shall be entitled to the delivery of the certificate related to such share, to receive notices from the Company, to attend and exercise the voting right attached to such share at the general meetings of the Company, and any notice given to such person shall be deemed to have delivered the notice to all the joint shareholders.

(Mandatory Provision 44, Comments of Hong Kong Registrars Limited, Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited - Section 9 of Appendix 3)

Article 7.02 Shareholders of the ordinary shares of the Company shall be entitled to the following rights:

- (1) To collect dividends and other forms of benefit distribution according to the number of shares held by them;
- (2) To attend or appoint proxies to attend the general meeting of shareholders and exercise voting rights;
- (3) To supervise the management of the business operation of the Company and make recommendations or enquiries;
- (4) To transfer shares in accordance with the provisions of laws, administrative regulations and the Articles of Association;
- (5) To obtain relevant information in accordance with the provisions of the Articles of Association, which shall include:
  - (i) The right to obtain a copy of the Articles of Association upon payment of a charge to cover costs;
  - (ii) The right to inspect and copy after payment of reasonable fees:
    1. All counterparts of the share register;

2. Personal particulars of Directors, Supervisors, managers and other senior officers including:
    - (a) Present and former name and alias;
    - (b) Principal address (residence);
    - (c) Nationality;
    - (d) Full-time and all other part-time occupations and duties;
    - (e) Identity documents and their numbers.
  3. Status of the share capital of the Company;
  4. Reports showing the aggregate par value, the number and the highest and lowest price paid for the shares repurchased in respect of each class of shares of the Company since the previous financial year, and all the expenses paid by the Company in this aspect;
  5. Minutes of the general meeting of shareholders.
- (6) Upon termination or liquidation of the Company, the right to participation in the distribution of the remaining assets of the Company in proportion to the shares held by them;
- (7) Other rights conferred by the Articles of Association and relevant laws and administrative regulations.

The Company shall not exercise any rights to lock up or prejudice otherwise any rights attached to the shares held by any person owning direct or indirect interests, simply because such person has not disclosed his or her interests to the Company.

(Mandatory Provision 45, Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited - Section 9 & 12 of Appendix 3)

Article 7.03 Shareholders of the ordinary shares of the Company shall assume the following obligations:

- (1) To comply with the Articles of Association;
- (2) To pay the sum of subscription according to the number of shares

subscribed by them and the method of share subscription;

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

A shareholder shall not be further liable to the share capital in any way other than those conditions agreed by the subscriber of the relevant shares on subscription.

(Mandatory Provision 46)

Article 7.04 Apart from the obligations imposed by laws and administrative regulations, or required by the listing rules of the stock exchange(s) on which the shares of the Company are listed, the controlling shareholder shall not exercise his voting rights in a manner damaging the interests of the shareholders in general or some of the shareholders of the Company, in respect of the following matters:

- (1) To dismiss the liability of any Director or Supervisor subject to the best interests of the Company in good faith;
- (2) To approve the expropriation in any form by a Director or Supervisor (for his own benefit or for the benefit of others) of the assets of the Company, including (but not limited to) any opportunities which are advantageous to the Company;
- (3) To approve the expropriation by a Director or Supervisor (for his own benefit or for the benefit of others) of the individual interests of other shareholders, including (but not limited to) any rights for distributions and voting rights, save and except the reorganization of the Company submitted to the general meeting of shareholders for approval in accordance with Articles of Association.

(Mandatory Provision 47)

Article 7.05 As described in the preceding Article, the controlling shareholder refers to a person under any one of the following conditions:

- (1) He alone or acting in concert with others is entitled to elect more than half of the members of the Board of Directors;

- (2) He alone or acting in concert with others is entitled to exercise, or control the exercise of, more than thirty per cent (including 30%) of the voting rights of the Company;
- (3) He alone or acting in concert with others holds more than thirty per cent (including 30%) of the outstanding shares of the Company;
- (4) He alone or acting in concert with others in any other way effectively controls the Company.

(Mandatory Provision 48)

## **Chapter 8 General Meeting of Shareholders**

Article 8.01 The general meeting of shareholders is the organ of power of the Company, and shall exercise its functions and powers according to the laws.

(Mandatory Provision 49)

Article 8.02 The general meeting of shareholders shall exercise the following functions and powers:

- (1) To decide on the business policies and investment plans of the Company;
- (2) To elect and replace Directors and to decide on matters related to the remuneration of Directors;
- (3) To elect and replace those Supervisors who shall be appointed from among the shareholders' representatives, and to decide on matters related to the remuneration of the Supervisors;
- (4) To consider and approve the reports of the Board of Directors;
- (5) To consider and approve reports of the Supervisory Committee;
- (6) To consider and approve the annual financial budget proposal and final accounts of the Company;
- (7) To consider and approve the proposal for profit distribution and proposal for making good the losses of the Company;
- (8) To resolve on the increase or reduction of the registered capital of

the Company;

- (9) To resolve on matters such as merger, division, dissolution and liquidation of the Company;
- (10) To resolve on the issue of bonds by the Company;
- (11) To resolve on the appointment, removal or non-renewal of the accounting firm by the Company;
- (12) To amend the Articles of Association;
- (13) To consider and approve proposals submitted by the shareholders representing more than five percent (including 5%) of the voting shares of the Company;
- (14) Other matters which are required by the laws and administrative regulations and the Articles of Association to be resolved at the general meeting of shareholders.

(Mandatory Provision 50)

Subject to the provisions of the relevant laws and statutory regulations and the Articles of Association, in the event of the Company issues preferred shares , the general meeting of shareholders shall decide on the rights and obligations of such shares.

The general meeting of shareholders shall be entitled to authorize or entrust the Board of Directors to handle the matters as authorized or entrusted.

Article 8.03 The Company shall not enter into any contract with any person other than the Director, the Supervisor, the general manager or other senior officers of the Company for handing over to such a person the management of the whole or the substantial part of the business of the Company without the prior approval of shareholders in the general meeting.

(Mandatory Provision 51)

Article 8.04 The general meeting of shareholders shall be classified as the annual general meeting and the extraordinary general meeting. The Board of Directors shall convene the general meeting of shareholders and decide on its date and venue. The annual general meeting shall be convened once a year, and shall take



place within six months upon the end of the previous fiscal year.

The Board of Directors shall convene the extraordinary general meeting within two months under one of the following circumstances:

- (1) Where the number of Directors is less than the number stipulated in the Company Law or is less 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 more than ten per cent (including 10%) of the voting shares outstanding of the Company request in writing to convene an extraordinary general meeting;
- (4) Where the Board of Directors considers it necessary or the Supervisory Committee proposes to convene such a meeting;
- (5) Where more than two independent Directors propose to convene such a meeting.

(Mandatory Provision 52, Comments of Hong Kong Registrars Limited)

Article 8.05 When the Company is to hold an annual shareholders' general meeting, it shall notify the shareholders of the time and venue of the meeting, and the matters to be considered twenty (20) days prior to the meeting; and the Company shall notify the shareholders fifteen (15) days prior to an extraordinary shareholders' general meeting.

(Mandatory Provision 53)

Article 8.06 In respect of the annual general meeting convened by the Company, the shareholders holding more than five percent (including 5%) of the total voting shares of the Company are entitled to propose to the Company any new resolutions in writing, provided such resolution shall be submitted to the Company at least ninety days before convening the annual general meeting. The Company shall include, in the agenda of such meeting, those proposed matters which are within the terms of reference of the general meeting.

(Mandatory Provision 54, Comments of Hong Kong Registrars Limited)

Article 8.07 Matters which are not included in the notices set out in Articles 8.05 herein shall not be resolved at the shareholders' general meeting

(Mandatory Provision 55, Comments of Hong Kong Registrars Limited, Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited - Section 7(1) of Appendix 3)

Article 8.08 To comply with the following requirements, the notice of the meeting of shareholders shall:

- (1) Be made in writing;
- (2) Specify the venue, date and time of the meeting;
- (3) State the matters to be discussed at the meeting;
- (4) Provide necessary information and explanation for the shareholders to make sensible decision on the matters to be discussed. This principle shall include (but not limited to) the provision of specific conditions and contract (if any) of the proposed transaction in contemplation, in the event of merger, share repurchase, restructuring share capital, or other reorganization initiated by the Company, and a due account of the cause and effect of such a proposal shall be given;
- (5) Disclose the nature and extent, if any, of the material interests of any Director, Supervisor, manager or other senior officers in the matters to be discussed; in the event that the impact of the matters to be discussed on such Director, Supervisor, manager or other senior officers in the capacity as the shareholder is different from the impact on the other shareholders of the same class, such difference shall be specified;
- (6) Contain the full text of any special resolution to be proposed at the meeting for approval;
- (7) Contain the express statement that a shareholder entitled to attend and vote is entitled to appoint one or more proxies to attend and vote on his behalf and that such a proxy need not be a shareholder;
- (8) Set out the date and venue for lodging a proxy form in respect of the meeting;

(Mandatory Provision 56)

Article 8.09 The notice of a general meeting of shareholders shall be served on each shareholder whose name appears in the share register on the date of confirming the shareholders in respect of the meeting, (whether or not entitled to vote thereat), by personal delivery or prepaid mail to the shareholder at his address, as shown in the share register. For the shareholders of domestic shares, the notices of general meetings of shareholders may be given by way of announcement.

The announcement referred to in the preceding paragraph shall be published in the one or more national newspapers designated by the securities regulatory authority during the period between twenty (20) days and twenty-five (25) days prior to an annual shareholders' general meeting and between fifteen (15) days to twenty (20) days prior to an extraordinary shareholder's general meeting. Once the announcement is made, all domestic shareholders shall be deemed to have received the notice of the relevant shareholders' general meeting.

The Company shall give the notice, with sufficient time for the foreign shareholders whose registered addresses are in Hong Kong to exercise their rights in advance or act in accordance with the terms in the notice.

(Mandatory Provision 57, Comments of Hong Kong Registrars Limited, Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited - Section 7(1), (2) & (3) of Appendix 3)

Article 8.10 Where the notice of a meeting is not delivered to, because of accidental omission, or the non-receipt of the notice of a meeting by any person entitled to receive the notice, it shall not invalidate the meeting and the resolutions passed at the meeting.

(Mandatory Provision 58)

Article 8.11 Any shareholder entitled to attend and vote at a general meeting of shareholders of the Company shall be entitled to appoint one or more persons (who need not be a shareholder or shareholders) as his proxy (proxies) to attend and vote on his behalf. A proxy so appointed shall exercise the following rights as entrusted by that shareholder:

- (i) To have the right to speak at the general meeting of shareholders;

- (ii) To exercise the voting rights.

Where that shareholder is a recognized clearing house defined by the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) or its nominee, it may authorize such person or persons as it thinks fit to act as its representative (or representatives) at any general meeting of shareholders or any class meeting of shareholders, provided that if more than one person is so authorized, the power of attorney shall set out the number and class of shares in respect of which each such person is so authorized. The person so authorized shall be entitled to exercise the same power on behalf of the recognized clearing house (or its nominees) as if such person is the individual shareholder of the Company.

(Mandatory Provision 59, Comments of Hong Kong Registrars Limited)

Article 8.12 A shareholder shall appoint his proxy in writing under the hand of the shareholder or his attorney authorized in writing; in the event that the shareholder is a legal person, it shall be under the seal of the legal person or under the hand of its Director or duly authorized attorney or officer. The proxy form shall specify the number of shares which the proxy shall represent. In the event of appointing several proxies, the proxy form shall specify the number of shares which each of the proxies shall represent.

(Mandatory Provision 60, Comments of Hong Kong Registrars Limited, Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited - Section 11(2) of Appendix 3)

Article 8.13 The proxy form for appointing a proxy to vote shall be deposited at the residence of the Company or at some other place specified for that purpose in the notice for convening the meeting no later than twenty-four hours prior to the meeting at which the proxy is authorized to vote or twenty-four hours before the time specified for the voting. Where such a proxy form is signed by a person under power of attorney on behalf of the principal, that power of attorney or other authorization documents shall be notarized. The notarized power of attorney and other authorization documents shall, together with the proxy form appointing the proxy, be deposited at the residence of the Company or at some other place specified for that purpose in the notice for convening the meeting. In the event that the principal is a legal person, its legal representative or a person authorized by way of the resolution adopted by its Board of Directors or other decision-making body shall be entitled to attend

a general meeting of shareholders of the Company on its behalf.

(Mandatory Provision 61)

Article 8.14 Any kind of proxy form given to shareholders by the Board of Directors of the Company for appointing the proxy shall permit the shareholders to freely instruct the proxy separately to vote in favour of or against each resolution dealing with business to be transacted at the meeting. Such proxy form should contain a remark that in default of instructions by the shareholder, the proxy may vote as he thinks fit.

(Mandatory Provision 62, Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited - Section 11(1) of Appendix 3)

Article 8.15 A vote given in accordance with the terms of an proxy form shall remain valid notwithstanding the death or loss of capacity of the principal or revocation of the proxy or of the authorization under which the proxy was executed, or the transfer of relevant shares 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 relevant meeting at which the proxy is used.

(Mandatory Provision 63)

Article 8.16 In the event that the individual shareholder appoints his proxy to attend the general meeting of shareholders, the proxy shall present the proxy form authorized by the shareholder and the evidence of his own identity. In the event that the shareholder who is a legal person appoints its representative to attend the general meeting of shareholders, the representative shall present the evidence of his own identity and the evidence of the legal representative (except the recognized clearing house) or the notarized copy of the resolution adopted by the Board of Directors or other decision-making body of the shareholder who is a legal person for the appointment of the representative.

(Comments of Hong Kong Registrars Limited)

Article 8.17 Resolutions of a general meeting of shareholders can either be ordinary resolutions or special resolutions.

An ordinary resolution of a general meeting of shareholders shall be passed by more than half of the total voting shares of the Company being held by the

shareholders (including proxies) who are present at the meeting.

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

Where the Company is aware that the rules governing the listing of securities on the Stock Exchange of Hong Kong require any shareholder to abandon his voting right on a specific resolution, or require any shareholder to either vote for or against a specific resolution only, any vote of the shareholder or his representative in violation of the relevant requirement or restriction shall not be included.

At the general meeting of shareholders, the chairman of the meeting shall propose separate resolutions in respect of each independent matter.

(Mandatory Provision 64, Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited - Section 14 of Appendix 3 and Section E.1.1 of Appendix 14)

Article 8.18 The shareholder (including the proxy) shall exercise his voting right in accordance with his number of voting shares. Each share shall have one vote.

(Mandatory Provision 65)

Article 8.19 The votes of the shareholders shall be taken by way of poll at the general meeting of shareholders.

(Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited - Section 13.39(4))

Article 8.20 In the event the resolution proposed involves election of the chairman or termination of the meeting, the voting shall be made immediately by way of poll. As for the resolutions concerning other matters, the chairman shall decide when the voting shall be made, and may continue to proceed with the meeting and discuss other matters, whereas the outcome of such voting shall still be deemed to have passed the said resolution at the meeting.

(Mandatory Provision 67)

Article 8.21 On a poll taken at a meeting, a shareholder (including his proxy) entitled to

two or more votes need not cast all his votes in the same way.

(Mandatory Provision 68)

Article 8.22 In the case of an equality of votes, the chairman of the meeting shall be entitled to an additional vote.

(Mandatory Provision 69)

Article 8.23 The following matters shall be adopted by way of ordinary resolutions at the general meeting of shareholders:

- (1) The reports of the Board of Directors and the Supervisory Committee;
- (2) Profit distribution proposals and proposals for making good the losses prepared by the Board of Directors;
- (3) Remuneration and method of payment for the Supervisory Committee;
- (4) The annual financial budget, the report on final accounts, the balance sheet, the income statement and other financial statements of the Company;
- (5) Matters other than those which are required by the laws, administrative regulations or the Articles of Association to be adopted by way of special resolutions.

(Mandatory Provision 70)

Article 8.24 The following matters shall be resolved by way of special resolutions at the general meeting of shareholders;

- (1) The increase or decrease of the share capital and the issue of shares of any class, warrants and other similar securities by the Company;
- (2) The issue of bonds by the Company;
- (3) The division, merger, dissolution and liquidation of the Company;
- (4) The amendment of the Articles of Association of the Company;
- (5) Other matters which, according to the ordinary resolution adopted at the general meeting of shareholders, may have a significant impact on the Company and require adoption by way of the special resolution.

(Mandatory Provision 71)

Article 8.25 Shareholders seeking to convene an extraordinary general meeting of shareholders or a class meeting of shareholders shall proceed in accordance with the following procedure:

- (1) Two or more shareholders holding more than one-tenth (including 10%) of the voting shares at the meeting proposed to be held may, by signing one written request or several counterparts of same stating the subject matter of the meeting, require the Board of Directors to convene an extraordinary general meeting of shareholders or a class meeting of shareholders. Upon receipt of the foregoing written request(s), the Board of Directors shall proceed to do so as soon as possible accordingly. The foregoing number of voting shares referred to shall be calculated as at the date of the delivery of the written request(s);
  
- (2) If the Board of Directors fails to issue a notice of convening such a meeting within thirty days from the date of the receipt of the foregoing written request(s), the shareholders who have made the request may themselves convene such a meeting in a procedure as far as possible same as that of such meetings to be convened by the Board of Directors, within four months from the date of receipt of such request(s) by the board.

Any reasonable expenses incurred by the shareholders for convening and holding the meeting by reason of the failure of the Board of Directors to duly convene a meeting according to the foregoing request for holding the meeting shall be borne by the Company and shall be set off against any sums owed to the Directors in default by the Company.

(Mandatory Provision 72)

Article 8.26 A general meeting of shareholders shall be convened by the Chairman of the Board of Directors who shall preside as chairman of the meeting. If the Chairman of the Board of Directors cannot attend the meeting for any reasons, the Chairman of the Board of Directors may designate a Director of the Company to convene and preside at the meeting as chairman on his behalf. If a chairman has not been designated, the shareholders attending the meeting may elect a person to act as the chairman. If for any reasons the shareholders cannot



elect a chairman, the shareholder (including his proxy) holding the greatest number of voting shares present at the meeting shall act as the chairman.

(Mandatory Provision 73)

Article 8.27 The chairman of a general meeting of shareholders shall be responsible for deciding whether or not a resolution has been adopted. His decision shall be final and shall be announced at the meeting and recorded in the minutes.

(Mandatory Provision 74)

Article 8.28 Where the chairman of a general meeting of shareholders has doubt about the outcome of the resolution tabled for voting, he may count the number of votes casted. If no counting is made by the chairman of the meeting, any shareholder who queries the outcome as announced by the chairman shall have the right to demand a counting of the votes immediately. The chairman shall forthwith conduct a counting of the votes as demanded.

(Mandatory Provision 75)

Article 8.29 Where a counting of the votes has been conducted at a general meeting of shareholders, the outcome shall be recorded in the minutes.

The minutes for the decision made on the matters discussed at the general meeting of shareholders shall be recorded by the secretary and signed by the Directors who attended the meeting. The minutes together with the attendance record signed by those shareholders attending the meeting and the powers of attorney of those attending the meeting by their proxies shall be kept at the residence of the Company.

(Mandatory Provision 76, Comments of Hong Kong Registrars Limited)

Article 8.30 Photocopies of the minutes shall be available for inspection during office hours of the Company by any shareholder without charge. Where a shareholder demands from the Company a photocopy of such minutes, the Company shall send a copy to the shareholder within seven days upon receiving a reasonable fee.

(Mandatory Provision 77)

## Chapter 9 Special Voting Procedures for Class Shareholders

Article 9.01 Shareholders of various classes of shares are referred to as class shareholders.

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

(Mandatory Provision 78)

Article 9.02 Any proposal by the Company to vary or abrogate the rights conferred on any class shareholders shall be approved by a special resolution at the general meeting of shareholders and by the class shareholders affected at the separate meeting(s) convened in accordance with Articles 9.04 to 9.08, before implementation of such proposal accordingly.

(Mandatory Provision 79)

Article 9.03 The rights of class shareholders shall be deemed to be varied or abrogated under the following circumstances:

- (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 entitled to voting rights or distribution rights or other privileges equivalent or superior to the shares of such class;
- (2) The conversion of all or a part of the shares of such class into shares of another class, or the conversion of all or a part of the shares of another class into the shares of such class or conferring such rights of conversion;
- (3) The removal or reduction of the rights to accrued dividends or cumulative dividends entitled to the shares of such class;
- (4) The reduction or removal of the right of having dividend preference or having liquidation preference in the property distribution entitled to the shares of such class;
- (5) The increase, removal or decrease of share conversion rights, options, voting rights, transfer rights or pre-emptive placement rights or rights to acquire securities of the Company entitled to the shares of such class;
- (6) The removal or decrease of the rights to receive the sums payable by the Company in particular currencies entitled to the shares of such class;

- (7) The creation of a new class of shares entitled to the voting rights or distribution rights or other privileges equivalent or superior to the shares of such class;
- (8) The imposition of restrictions or additional restrictions on the transfer or ownership of the shares of such class;
- (9) The issue of share subscription rights or share conversion right for the shares of such class or another class;
- (10) The increase of the rights or privileges of the shares of another class;
- (11) The proposed restructuring of the Company which will result in the shareholders of different classes bearing a disproportionate burden of such restructuring;
- (12) The variation or abrogation of the provisions of this chapter.

(Mandatory Provision 80)

Article 9.04 Shareholders of the affected class, whether or not otherwise having the right to vote at general meetings of shareholders, shall have the right to vote at class meetings in respect of matters concerning Articles 9.03(2) to (8) and (11) to (12), but interested shareholder(s) shall not be entitled to vote at class meetings.

The interested shareholder(s) mentioned in the preceding clause shall have the following meanings:

- (1) In the case of a repurchase by a general offer made to all shareholders in the same proportions or through the public offer on a stock exchange under Article 4.04 of the Articles of Association, an “Interested Shareholder” refers to a Controlling Shareholder defined by Article 7.05 of the Articles of Association;
- (2) In the case of a repurchase of shares under the agreement made other than on the stock exchange under Article 4.04 of the Articles of Association, an “Interested Shareholder” refers to a shareholder to which the agreement relates;
- (3) In the case of a proposed restructuring of the Company, an “Interested Shareholder” refers to 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.

(Mandatory Provision 81)

Article 9.05 The resolutions of the class meeting of shareholders shall only be adopted by the shareholders attending the meeting with more than two-thirds of the voting shares according to Article 9.04.

(Mandatory Provision 82)

Article 9.06 When the Company is to convene a shareholders class meeting, it shall issue a written notice twenty (20) days prior to the date of the annual general meeting or fifteen (15) days prior to the date of the extraordinary general meeting informing all the shareholders who are registered as holders of that class in the register of shareholders of the matters to be considered at the meeting as well as the date and place of the meeting.

The quorum formed by the holders holding at least one-third of any class of shares issued is required to convene the respective class meeting of shareholders (except the adjourned meeting) for the purpose of considering the amendment of the rights of that class of shares.

(Mandatory Provision 83, Comments of Hong Kong Registrars Limited, Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited - Section 6(2) of Appendix 3)

Article 9.07 Notices of class meetings need only be served on shareholders entitled to vote thereat.

Meetings of any class of shareholders shall be held according to the procedure same as that of general meetings of shareholders as far as possible. The procedure in the Articles of Association related to general meetings of shareholders shall apply to any meeting of a class of shareholders.

(Mandatory Provision 84)

Article 9.08 Apart from the shareholders of other classes of shares, the shareholders of domestic shares and overseas listed foreign shares are deemed to be shareholders of different classes. The special procedure of the voting by class shareholders shall not be applicable to the following circumstances:

- (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 issued domestic shares and issued

overseas listed foreign shares respectively at the interval of every twelve months as approved by way of special resolution at a general meeting of shareholders; or

- (2) Where the plan of the Company for issuing domestic shares and overseas listed foreign shares upon its establishment is implemented within fifteen months from the date of approval by the China Securities Regulatory Commission.

(Mandatory Provision 85, Supplementary Opinion (3), Comments of Hong Kong Registrars Limited, Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited - Section 1(f) of Appendix 13D)

## **Chapter 10 Board of Directors**

Article 10.01 The Company shall establish the Board of Directors. The Board of Directors shall comprise five to seven Directors, including not less than three independent non-executive Directors. The Board of Directors shall have one Chairman and may have one Vice-Chairman. The Directors shall handle the matters authorized by the Board of Directors.

(Mandatory Provision 86)

Article 10.02 The Board of Directors shall be independent of the controlling shareholder entity of the Company and shall not be affected by the controlling shareholder entity. No more than two senior management members of the organ of the controlling shareholder (the Chairman and the Executive Directors) shall take up the roles of the Chairman and the Executive Director of the Company concurrently. The Directors shall be elected at the general meeting of shareholders and serve a term of three years. Upon expiry of the term, a Director shall be eligible for re-election and serving consecutive terms but the independent non-executive Directors shall not serve consecutive terms exceeding six years. Each of the Directors (including the Directors serving specified term) shall retire by rotation at least once every three years.

A notice in writing of the intention to propose a candidate for election as a Director and a notice in writing by that candidate of his willingness to be elected shall be given to the Company at least seven days in advance. The period of the delivery of the foregoing notices in writing shall be counted from the next day when a notice for the meeting on such election is sent by post and

until the date not later than the end of the period of seven days prior to the date of holding the meeting.

The Chairman and the Vice-Chairman of the Board of Directors shall be elected and removed by more than half of all the Directors. The Chairman and the Vice-Chairman shall serve a term of three years, and may serve consecutive terms if re-elected.

Any person appointed by the Board of Directors to fill the casual vacancy or to take up the role of a new Director shall serve the term until the date of holding the next annual general meeting of shareholders. Such persons shall be eligible for re-election and may serve consecutive terms.

Subject to the provisions of relevant laws and administrative regulations, the general meeting of shareholders may remove any Director by special resolution prior to the expiry of the term of such Director (but without prejudice to any claim under any contract).

Directors are not required to hold shares in the Company.

Each of the Directors shall ensure to spend sufficient time and efforts to handle the affairs of the Company. Otherwise, they shall not accept appointment of same.

The non-executive Directors shall have sufficient time as well as necessary knowledge and capability to perform their duties. The Company shall provide necessary information when the non-executive Directors perform their duties. In particular, the independent (non-executive) Directors may report directly to the general meeting of shareholders, the securities regulatory authority of the State Council and other relevant authorities.

Apart from the non-executive Directors, other Directors may take up the roles of other senior management members of the Company other than the Supervisors concurrently.

(Mandatory Provision 87, Supplementary Opinion (4), Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited - Section 4(2), (4) & (5) of Appendix 3)

Article 10.03 The Board of Directors shall be accountable to the general meeting of shareholders and shall exercise the following functions and powers:

- (1) To be responsible for convening general meetings of shareholders and to report on its work at the general meeting of shareholders;
- (2) To implement resolutions adopted at the general meeting of shareholders;
- (3) To decide on the operation plans and investment proposals of the Company;
- (4) To formulate the annual financial budget and final accounts of the Company;
- (5) To formulate the profit distribution proposals and proposals for making good the losses of the Company;
- (6) To formulate proposals for the increase or decrease of the registered capital of the Company and proposals for the issue of bonds of the Company;
- (7) To prepare the proposals for the merger, division or dissolution of the Company;
- (8) To decide on the establishment of the internal management organization of the Company;
- (9) To appoint or remove the manager of the Company, and based on the nomination of the manager, to appoint or remove the deputy manager and the chief financial officer of the Company and to decide on their remuneration;
- (10) To formulate the basic management system of the Company;
- (11) To formulate proposals for any amendment of the Articles of Association;
- (12) Apart from the matters required by the Company Law and the Articles of Association to be resolved at the general meeting of shareholders, to decide on other affairs and administrative affairs and sign other agreements; and
- (13) Other functions and powers as conferred in the general meeting of shareholder or the Articles of Association.

Apart from item (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 more than half of the Directors for the resolutions made by the Board of Directors in the preceding clause.

(Mandatory Provision 88, Comments of Hong Kong Registrars Limited)

Article 10.03A The duties of the non-executive directors shall include but not limited to the following:

- (1) To participate in the Board meetings of the Company, and provide independent opinions regarding strategies, policies, performance of the Company, accountability, resources, major appointments and the code of practice;
- (2) To take the lead in guidance in the event of potential conflict of interests;
- (3) To be the member of the audit committee, the remuneration and review committee and other governing committees upon invitation; and
- (4) To scrutinize the performance of the Company to see whether it has fulfilled the established corporate goals and purposes and monitor and report on the performance of the Company.

(Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited - Section A.5.2 of Appendix 14)

Article 10.04 Where there is a disposal of fixed assets by the Board of Directors and the aggregate of the expected value of the consideration for the proposed disposal and the value of the consideration for any disposition of fixed assets made in the four months immediately preceding the proposed disposition exceeds thirty-three per cent of the value of the fixed assets as shown in the latest balance sheet placed before the shareholders in the general meeting of shareholder, the Board of Directors shall not dispose or agree to dispose of the fixed assets without the prior approval at the general meeting of shareholders.

In this Article, disposal of fixed assets shall include an act involving transfer of an interest in property other than the provision of security by fixed assets.

The validity of a disposal of fixed assets by the Company shall not be affected by a breach of the first clause of this Article.

(Mandatory Provision 89)

Article 10.05 The chairman of the Board of Directors shall exercise the following functions and powers:

- (1) To preside at general meetings of shareholders and to convene and preside at meetings of the Board of Directors;
- (2) To examine the implementation of resolutions of the Board of Directors;



- (3) To sign securities issued by the Company;
- (4) Other functions and powers conferred by the Board of Directors.

In the event that the Chairman is unable to perform his functions and power, the Chairman may designate the Vice-Chairman to perform same on his behalf.

(Mandatory Provision 90)

Article 10.06 Board meetings shall be held regularly at least four times every year. A Board meeting shall be convened by the Chairman of the Board of Directors and a relevant notice shall be given to all Directors fourteen days before the meeting date. In case of urgent matters, an extraordinary Board meeting may be proposed by more than one third of the Directors, or more than half of the Independent Non-executive Directors, or the manager of the Company, such meeting shall not be subject to the requirement for the notice of the meeting specified in Article 10.07.

In principle, the Board meeting shall be held at the residence of the Company, but may be held in other places in China as resolved by the Board of Directors. The Board meeting shall be conducted in Chinese. The interpreter may be present to provide simultaneous Chinese and English interpretation if necessary.

The abovementioned regular Board meetings shall not include approval obtained from the Board of Directors by way of circulating written resolutions to be passed.

(Mandatory Provision 91, Rules Governing the Listing of Securities on The  
Stock Exchange of Hong Kong Limited - Section A1.1 of Appendix 14)

Article 10.07 The method and time required for giving the notice to convene the meeting by the Board of Directors are as follows:

- (1) In the event that the Board of Directors has stipulated in advance the date and place of the regular Board meeting, it shall not require the issue of notices to convene the meeting.
- (2) In the event that the Board of Directors has not stipulated in advance the date and place of the Board meeting, the Chairman shall inform the Directors at least fourteen days and at most thirty days in advance by

sending a notice by means of telex, cable, facsimile, speed post or registered mail or courier, unless specified otherwise by Article 10.06.

- (3) The notice shall be in Chinese and its English version may be attached if necessary and shall include the agenda and relevant documents for the meeting. Any of the Directors may waive the right of obtaining the notice from the Board of Directors for the Board meeting.

For all significant matters requiring the decision-making of the Board of Directors, the time required to inform all Directors shall comply with the stipulation in this Article, sufficient information shall also be provided and the meeting shall be conducted strictly in accordance with stipulated procedure. When more than one quarter of the Directors considers that there is insufficient information or that arguments proposed are imprecise, 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. Under such circumstances, the Board of Directors shall accept the proposal.

If a director having attended the meeting and has not raised objection for non-receipt of notice in advance before or during the meeting, he shall be deemed to have received the notice of the meeting.

The regular or extraordinary Board meeting may be held in the form of telephone conference or by way of similar communication equipment so long as all Directors participating in such meeting can hear and communicate with one another clearly, and all such Directors shall be deemed to be present in person at the meeting.

(Mandatory Provision 92, Comments of Hong Kong Registrars Limited)

Article 10.07A After discussion in advance, the Board of Directors may seek independent professional advice in appropriate situation. The costs shall be paid by the Company. The Board of Directors may resolve to provide independent professional advice for Directors separately in order to assist the relevant Director in performing his responsibilities to the Company.

(Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited - Section A1.7 of Appendix 14)

Article 10.08 The Board meeting shall only be held when more than one half of the Directors are present (including the Director having been appointed by the other Director by proxy in writing to attend the board meeting on his behalf according to Article 10.09).

Each Director shall have one vote. The resolution of the Board of Directors shall be passed by more than half of all Directors. In the event of having equal votes for or against the motion, the Chairman shall be entitled to cast an additional vote.

If the Board of Directors considers that a major shareholder or a Director has a material conflict of interest in a matter to be considered by the Board, the matter shall not be dealt with by way of circulation of the Board resolutions or handled by the Board committee (except the committee set up particularly for this purpose as resolved in the Board meeting). A Board meeting shall be held in such case, with the presence of the Independent Non-executive Directors, who and whose associates, have no material interest in the transaction.

Save as otherwise approved by the Stock Exchange of Hong Kong Limited or specified by the Articles of Association, a Director shall neither vote (nor be counted in the quorum) on any resolution of the Board in respect of any contract or arrangement or other proposals in which he himself, or any of his associate(s) (within the meaning of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong), is to his knowledge materially interested. In this Article, the Director or his associate entitled to “material interest” shall mean that the Director or his associate owns 5% or more of the interest in such contract, transaction or arrangement.

(Mandatory Provision 93, Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited - Section 4(1) of Appendix 3, Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited - Section A1.8 of Appendix 14)

Article 10.09 The Board meeting shall be attended by the Directors in person. If a Director is unable to attend for any reason, he may entrust another Director in writing to represent him/her at the Board meeting. The relevant proxy shall state the scope of authorization.

A Director who attends a Board meeting on behalf of another Director shall exercise the rights of a Director within the given scope of authorization in the

proxy. A Director who fails to attend a particular Board meeting and who has not appointed a representative to do so shall be deemed to have waived his voting rights in respect of that meeting.

Costs incurred by the Directors in attending the Board meeting shall be borne by the Company. Such costs shall include travel expenses for traveling between the residence of the Directors and the location where the meeting is held, as well as the expenses for meals and accommodation during the period of the meeting. The sundry expenses including the rental for the venue of the meeting and the local traffic expenses shall be paid by the Company as well.

(Mandatory Provision 94)

Article 10.10 In lieu of holding a Board meeting, a written resolution may be adopted by the Board of Directors provided that such resolution shall be sent by courier, post, cable or facsimile to all Directors and be affirmatively signed and adopted by the number of Directors necessary to form a quorum, which shall be sent by the foregoing means to the Company Secretary and become the resolution adopted by the Board of Directors, without convening a Board meeting.

Article 10.11 The Board of Directors shall prepare minutes of the decisions on the matters discussed in the board meetings . The opinions expressed by the Independent (Non-executive) Director shall be clearly recorded in the resolutions of the Board of Directors. The minutes of each Board meeting shall be provided to all Directors as soon as possible for their review. Any Director intending to make amendment and supplement shall, within one week upon receipt of the minutes, report to the Chairman in writing on the comments. After finalization of the minutes, the Directors attending the meeting and the person taking the minutes shall sign their names on the minutes of that meeting. The minutes of the Board meeting shall be kept at the residence of the Company in China. Each of the Directors shall be provided with a complete copy as soon as possible.

The Directors shall be responsible for the resolutions of the Board of Directors. Where a resolution of the Board of Directors is in violation of the laws and administrative regulations or the Articles of Association, thereby causing serious losses to the Company, the Directors who took part in such resolution shall be liable to compensate the Company. However, if a Director is able to prove that he has expressed his opposition to such resolution put to the vote, and such opposition has been recorded in the minutes of the meeting, that Director may be relieved of such liability.

(Mandatory Provision 95)

The Board of Directors may set up a committee or a working team consisting of two or more of the Directors at times, and authorize such committee or working team to exercise certain powers, duties and discretionary handling rights of the Board of Directors. The relevant committee and the working team shall act within the scope as authorized by the Board of Directors, and abide with the rules as may be concluded by the Board of Directors at times. The Board of Directors may also resolve to dismiss the relevant committee or working team or amend the scope of its authorization. Except when restricted by the laws or regulatory control, the relevant committee or working team shall report to the Board of Directors on its decision or proposal.

(Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited - Section D.2.2 of Appendix 14)

The quorum of the Board committee or working team shall be the higher of two members of such committee or working team or more than half of the members. The applicable stipulations of the Articles of Association shall be replaced by the Board of Directors in accordance with the rules as mentioned in the preceding paragraph.

Except when specified otherwise by the Board of Directors, the manager (not acting as the director concurrently) may attend the Board meeting and be entitled to receive the notice and related documents of such meetings. However, unless the manager is also a director, the manager shall not be entitled to vote in the Board meeting.

## **Chapter 11 Company Secretary to the Board**

Article 11.01 The Company shall have 1 to 2 Company Secretaries appointed by the Board of Directors. The Company Secretary to the Board shall be the senior management, who bears the obligations of senior management of the Company as required by laws, regulations and the Article of Association, and is entitled to corresponding job duties and obtains corresponding remuneration.

(Mandatory Provision 96)

Article 11.02 The Company Secretary to the Board shall principally assist the directors in

handling the daily routine tasks of the Board, continuously provide the Directors with and remind the Directors of the regulations, policies and requirements as demanded by domestic and overseas supervisory bodies in relation to the operation of the Company, and ensure that the directors understand the same accordingly, and assist the Directors and the manager in actually performing the domestic and overseas laws and regulations as well as the Articles of Association and other relevant stipulations, when exercising their duties and responsibilities. The Company Secretary shall be responsible for the relevant organization and preparation of the documents for the Board of Directors and the general meeting of Shareholders, prepare the minutes of the meeting, ensure the decision-making process of the meeting is in compliance with the statutory procedure, understand the implementation of the resolutions of the Board of Directors, take charge of organizing and coordinating information disclosure, coordinate the relationship with the investors, enhance the transparency of the Company, take part in organizing capital market financing, handle the relationship with the intermediaries, regulatory departments and the mass media, and build up good public relations.

In the event of having two Company Secretaries to the Board, these two Company Secretaries shall take charge of the affairs of the Company in China and Hong Kong respectively. However, either one of them shall be entitled to independently exercise all the powers of the Company Secretary to the Board. The Company Secretary taking charge of the affairs in China shall principally ensure the keeping of complete documentation and record of the Company, the preparation and submission of the reports and documents according to the laws as required by the regulatory authorities in China, the proper establishment of the share register of the Company, and the rights to obtain the records and documents related to the Company on timely basis.

The Company Secretary taking charge of the affairs in Hong Kong shall, in line with the instruction of the Board, principally report and submit the relevant information and documents to the Stock Exchange of Hong Kong according to the Listing Rules of the Stock Exchange of Hong Kong, prepare the various documents for the General Meeting of Shareholders and the Board meeting, and submit to the Companies Registry in Hong Kong the various documents related to the Company.

In the event of having only one Company Secretary to the Board, the Company

Secretary shall bear all the responsibilities of the foregoing Company Secretaries taking charge of the affairs in China and Hong Kong.

(Mandatory Provision 97)

Article 11.03 The Company Secretary to the Board shall be the natural person possessing the professional knowledge, knowledge of relevant laws and regulations and relevant working experience of listing out of China, and shall, in principle, speak and write the foreign language, be familiar with the operation situation of the Company and the knowledge of the industry, possess the relevant knowledge required for performing its duties, be of good personal characters and occupational ethics, with stronger capability of handling public relations and coordination. In the event of having two Company Secretaries to the Board, one of them shall comply with the requirements of the regulatory authorities out of China and the relevant listing rules.

Article 11.04 The natural person in one of the situations stipulated in Article 14.01 of the Articles of Association shall not take up the post of the Company Secretary to the Board.

Article 11.05 The Company Secretary to the Board shall, in principle, be a professional but the Director or other senior management of the Company may take up the post of the Company Secretary concurrently. In the event that the Director or other senior management of the Company takes up the post of the Company Secretary concurrently, he/she shall ensure that he/she has the sufficient energy and time to take up the duties of the Company Secretary to the Board. The general manager (not including part-time officer) and the chief finance officer of the Company shall not be the Company Secretary to the Board concurrently. The accountant of the accounting firm appointed by the Company shall not be the Company Secretary to the Board concurrently.

In the event that a Director takes up the post of the Company Secretary to the Board concurrently, whenever any particular act shall be done by the Director and the Company Secretary to The Board respectively, the Director taking up the post of Company Secretary to the Board concurrently shall not do such act in both capacities.

(Mandatory Provision 98)

#### Article 11.06 Terms of Reference of the Company Secretary to the Board

- (1) To coordinate and prepare for general meetings of Shareholders and Board meetings; to prepare the documents for such meetings; to make relevant arrangements for meetings, to be responsible for taking the minutes of meetings; to safeguard the accuracy of the record; to keep the documentation of meetings and records; to actively understand the implementation of relevant resolutions; and to report and make recommendations to the Board on important issues regarding the implementation.
- (2) In order to enhance the strategic decision and orientation function of the Board of the Company, the company secretary to the Board shall ensure that significant decisions of the Board are to be implemented in strict compliance with required procedures;, and shall take part in, and organize consultation and analysis of issues to be decided by the Board and provide advice and recommendations thereon at the request of the Board,; and to be entrusted to undertake the daily routine work of the Board and its relevant committees.
- (3) To act as the contact person of the Company with the securities regulatory authorities; to be responsible for the organization, preparation and timely submission of documents required by regulatory authorities; and to be responsible for undertaking, organizing and completing tasks delegated by regulatory authorities.
- (4) To be responsible for coordinating and organizing the information disclosure of the Company, setting up a sound information disclosure system, and participating in all meetings of the Company in relation to information disclosure; and to gain in a timely manner knowledge of important operation decisions and relevant information of the Company.
- (5) To be responsible for keeping share price-sensitive information of the Company confidential and formulating effective confidentiality rules and measures; in the case of leakage of share price-sensitive information of the Company for whatever reasons, to take necessary remedial measures, to make prompt explanation and clarification, and to notify domestic and overseas regulatory authorities where the Company is listed and China Securities Regulatory Commission.



- (6) To be responsible for organizing market promotion, coordinating reception of visits to the Company, handling the relationships with investors, maintaining connection with investors, intermediaries and mass media; to be responsible for coordinating and answering questions raised by the general public, to ensure that investors can promptly obtain information disclosed by the Company; to organize and prepare for domestic and overseas promotional activities of the Company; and to organize the overall report to China Securities Regulatory Commission on market promotion of and significant visits to the Company.
- (7) To be responsible for managing and keeping the share register, the register of directors, the records of shareholdings of major shareholders and directors and the list of holders of outstanding debentures of the Company; and to be permitted to keep the Company seal and to establish sound and comprehensive measures for the management of the Company seal.
- (8) To assist directors and managers in exercising their powers in strict compliance with domestic and foreign laws, regulations, the Articles of Association and other relevant stipulations; and to be obliged to promptly remind the Company after becoming aware of resolutions in breach of or possible breach of relevant stipulations and to have the right to report the actual case to China Securities Regulatory Commission and other regulatory authorities to reflect the situation.
- (9) To coordinate the provision of necessary information to the Supervisory Committee of the Company and other auditing bodies to facilitate the performance of their supervisory functions; and to assist in the proper investigation concerning the chief finance officer, Directors, and managers of the Company in performing their fiduciary duties.
- (10) To perform other powers conferred by the Board and as required in overseas places where the Company is listed.

Article 11.07 The Company Secretary to the Board shall have the obligation of good faith and diligence to the Company and faithfully exercise his/her duties in accordance with the Articles of Association, and safeguard the benefits of the Company, and shall not make use of his/her position and power to make private profits for himself/herself. If required to delegate a part of his/her own duties to others, it shall be subject to the approval of the Board, with the

assurance that the entrusted duties shall be executed according to the laws. In case of committing illegal act, the Company Secretary shall bear the corresponding responsibilities. China Securities Regulatory Commission may give have or recommend having the necessary award or penalty for the work of the Company Secretary to the Board.

Article 11.08 In the event of having one of the following situations during the tenure of the Company Secretary to the Board, the Board shall terminate his appointment:

- (1) failure to perform the relevant duties and obligations which has caused material losses to the Company;
- (2) violation of laws, regulations, the Articles of Association and other relevant stipulations in execution of duties, which has caused material consequences or extremely adverse effects;
- (3) leakage of confidential information of the Company, which has caused material consequences or extremely adverse effects;
- (4) the regulatory authority is of the opinion that he/she does not have the conditions to continue to be the Company Secretary to the Board;
- (5) other circumstances identified by the Board.

China Securities Regulatory Commission may give or recommend the necessary award or penalty for the work of the Company Secretary to the Board.

Article 11.09 The dismissed Company Secretary shall be subject to examination by the Supervisory Committee of the Company before leaving office, and he shall transfer intact the relevant file materials, matters and issues not yet finished and residual problems to the Company Secretary in succession to him/her under the supervision of the Supervisory Committee of the Company. When leaving office, the Company Secretary to the Board shall sign the necessary agreement on confidentiality to perform the continuous obligation of confidentiality.

Article 11.10 The Directors, managers and relevant internal departments of the Company shall support the Company Secretary to perform his/her duties according to the laws, and provide necessary assurance in the aspects of organization establishment, staffing and expenditure. Various relevant departments of the Company shall take the initiative to coordinate with the work of the Company Secretary to the Board.

Article 11.11 The Company shall not dismiss the Company Secretary to the Board without any reasons, and shall report, in advance, to China Securities Regulatory Commission for filing and inform the overseas regulatory authority where the Company is listed of any change of the Company Secretary. A new Company Secretary shall be employed according to the required procedure and formalities when terminating the employment of the former Company Secretary to the Board.

Article 11.12 The Company Secretary to the Board shall perform his/her duties diligently in compliance with the relevant stipulations of the Articles of Association.  
The Company Secretary to the Board shall assist the Company in complying with the relevant laws in China and the rules of the stock exchange where the shares of the Company are listed.

## **Chapter 12 Company Manager**

Article 12.01 The Company shall have one manager who shall be appointed or dismissed by the Board of Directors.

(Mandatory Provision 99)

Article 12.02 The Company manager shall be accountable to the Board of Directors and shall exercise the following powers:

- (1) to take charge of production, operation and management of the Company, and to organize the implementation of the resolutions of the Board of Directors;
- (2) to organize the implementation of the annual operation plans and investment schemes of the Company;
- (3) to draft the scheme for establishment of the internal management organization of the Company;
- (4) to draft the basic management system of the Company;
- (5) to formulate the basic rules and regulations of the Company;
- (6) to request the appointment or dismissal of the deputy manager and the

chief finance officer of the Company;

- (7) to appoint or dismiss management personnel other than those required to be appointed or dismissed by the Board of Directors;
- (8) other powers conferred by the Board of Directors and the Articles of Association.

(Mandatory Provision 100)

Article 12.03 The manager who is not a Director, attending Board meetings shall be entitled to receive the notice and relevant documents for such meetings, but shall not have the right to vote at the Board meetings.

(Mandatory Provision 101)

Article 12.04 The Company manager shall exercise the powers according to the provisions of laws, regulations and the Articles of Association, and shall perform the obligations diligently in good faith.

(Mandatory Provision 102)

Article 12.05 The manager and the deputy manager shall not alter the resolution of the General Meeting of Shareholders and the Board of Directors or go beyond the scope of authorization in exercising their powers.

Article 12.06 The manager, the deputy manager, the chief finance officer and other senior management shall inform the Board of Directors in writing three months in advance for their resignation. The department managers shall inform the manager in writing two months in advance for their resignation.

## **Chapter 13 Supervisory Committee**

Article 13.01 The Company shall establish the Supervisory Committee, which is the permanent supervisory organization taking charge of supervising the Board and its members, and the senior management including the manager, the deputy manager, and the chief finance officer, with the purpose of preventing the abuse of their powers on the job, and the infringement upon the lawful interests of the shareholders, the Company and the employees of the Company

(Mandatory Provision 103)

Article 13.02 The Supervisory Committee shall comprise five members. One of them shall act as Chairman of the Supervisory Committee. The tenure of a Supervisor shall be three years. A Supervisor may serve consecutive tenure if re-elected. The external Supervisors (namely, Supervisors who do not hold any position in the Company) shall comprise more than one half of the members of the Supervisory Committee, and two or more of Independent Supervisors (namely, Supervisors who are independent of the shareholders and do not hold any position in the Company).

- (1) The election or removal of the chairman of the Supervisory Committee shall be passed by more than two-thirds (including two-thirds) of the members of the Supervisory Committee.
- (2) The resolutions of the Supervisory Committee shall be passed by over two-thirds (including two-thirds) of the members of the Supervisory Committee.

(Mandatory Provision 104, Supplementary Opinion (5), Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited - Section 1(d) of Appendix 13D)

Article 13.03 The members of the Supervisory Committee comprise one representative of shareholders and two representatives of the staff of the Company. The representative of shareholders shall be elected and dismissed at the General Meeting of Shareholders. The representatives of the staff shall be elected and dismissed by the staff of the Company on democratic basis.

(Mandatory Provision 105)

Article 13.04 The Directors, the manager, the deputy manager, the chief finance officer and other senior management of the Company shall not be the Supervisor concurrently.

(Mandatory Provision 106)

Article 13.05 The Supervisory Committee shall convene at least one meeting every year. The Chairman of the Supervisory Committee shall be responsible for convening the meeting and informing all Supervisors ten days in advance. In case of urgent matters, an extraordinary meeting of Supervisory Committee may be convened upon proposal by one-third or more of all Supervisors, without the following restriction imposed on the notice for the meeting of Supervisory Committee.

In principle, the meeting of the Supervisory Committee shall be held at the residence of the Company, but may be held in other places of China as resolved by the Supervisory Committee.

The notice for the meeting of the Supervisory Committee shall be as follows:

- (1) In the event that the Supervisory Committee has stipulated in advance the date and place of the regular meeting of the Supervisory Committee, it shall not require the issue of notices to convene the meeting.
- (2) In the event that the Supervisory Committee has not stipulated in advance the date and place of the meeting of the Supervisory Committee, the Chairman of the Supervisory Committee shall inform the Supervisors at ten days but at most thirty days in advance by sending the notice by means of telex, cable, facsimile, speed post or registered mail or courier, unless specified otherwise by the first clause of this Article.
- (3) The notice shall be in Chinese, and its English version may be attached if necessary , and shall include the agenda for the meeting. Any of the Supervisors may waive the right of obtaining the notice from the Supervisory Committee for the meeting of the Supervisory Committee.

If the Supervisor having attended the meeting and has not raised objection for non-receipt of the notice in advance before or during the meeting, he shall be deemed to have received the notice of the meeting issued to him.

The regular or extraordinary meeting of the Supervisory Committee may be held in the form of telephone conference or by way of similar communication equipment so long as all Supervisors participating in such meeting can hear and communicate with one another clearly, and all such Supervisors shall be deemed to be present in person at the meeting.

In lieu of convening a meeting of the Supervisory Committee, a written resolution may be adopted by the Supervisory Committee provided that such resolution shall be sent by courier, post, cable or facsimile to all Supervisors and affirmatively signed and adopted by the number of Supervisors necessary to form a quorum, which shall become the resolution adopted at the meeting of the Supervisory Committee, without convening a meeting of the Supervisory Committee.

(Mandatory Provision 107)

Article 13.06 The Supervisory Committee shall be accountable to the General Meeting of Shareholders and shall exercise the following powers according to the laws:

- (1) to examine the financial affairs of the Company;
- (2) to supervise the Directors, the manager and other senior management of the Company in respect of any violation of laws, administrative regulations or the Articles of Association in performing their duties;
- (3) when the conduct of the Directors, the manager and other senior management of the Company jeopardizes the interests of the Company, to require them to rectify accordingly;
- (4) to verify the financial information including the accounting report, the sales report, and the profit distribution scheme proposed to be tabled at the general meeting of Shareholders and, if in doubt, to entrust, in the name of the Company, any registered accountant or practising auditor to assist in reviewing them;
- (5) to propose to convene an extraordinary general meeting of Shareholders;
- (6) to represent the Company in negotiation with the Directors or in initiating legal proceedings against the Director;
- (7) other powers authorized by the Articles of Association.

The Supervisory Committee may make recommendations to the accounting firm employed by the Company, and may, appoint another accounting firm in the name of the Company for independent examination of the financial status of the Company if necessary, and may report on the situation directly to the securities regulatory authority under the State Council and other relevant departments.

The Independent Supervisors shall make independent reports to the general meeting of Shareholders regarding the good faith, diligence and performance of the senior management of the Company.

Supervisors shall attend the Board meetings.

(Mandatory Provision 108)

Article 13.07 The meeting of the Supervisory Committee shall be held with more than two-thirds of the members of the Supervisory Committee present at the meeting. Each Supervisor shall be entitled to one vote. Resolutions of the

Supervisory Committee shall be passed by the affirmative vote of more than two-thirds of the members of the Supervisory Committee.

(Mandatory Provision 109, Supplementary Opinion (6))

Article 13.08 All reasonable expenses incurred by the Supervisory Committee when exercising its powers of appointing professionals such as lawyers, registered accountants and practicing auditors shall be borne by the Company.

(Mandatory Provision 110)

Article 13.09 Supervisors shall faithfully perform their supervision duties in accordance with the provisions of laws, administrative regulations and the Articles of Association.

(Mandatory Provision 111)

## **Chapter 14 Qualifications and Obligations of Directors, Supervisors, Manager and Other Senior Management of the Company**

Article 14.01 None of the persons in any of the following situations may serve as the Director, the Supervisor, the manager or any other senior management of the Company:

- (1) a person incapable of having civil conduct or with limited capability of civil conduct;
- (2) a person who was punished for committing corruption, bribery, misappropriation or embezzlement of property or disrupting social and economic order, and a period of five years has not elapsed since the punishment was completed, or who was deprived of his political rights as punishment for committing criminal offence, and a period of five years has not elapsed since the deprivation was completed;
- (3) a director, factory director or manager of a company or enterprise which entered into insolvent liquidation due to mismanagement, and who was personally liable for such insolvent liquidation and a period of three years, counting from the date of completion of its insolvent liquidation, has not elapsed;
- (4) a legal representative of a company or enterprise which has had its business licence revoked and he was personally liable for such revocation



and a period of three years, counting from the date of revocation of the business licence in question, has not elapsed;

- (5) a person with comparatively large personal debts which have fallen due but not settled yet;
- (6) a person who has been placed on file for investigation by judicial organizations for having violated the criminal law, and such investigation has not been concluded;
- (7) a person who is prohibited from acting as a leader of an enterprise by the provisions of the laws and administrative regulations;
- (8) a non-natural person;
- (9) a person who was convicted by the relevant regulatory authority for violating securities-related laws and regulations, where such violation involved fraudulent or dishonest conduct and a period of five years, counting from the date of the conviction in question, has not elapsed.

(Mandatory Provision 112)

Article 14.02 The validity of the conduct of the Director, the manager or other senior management of the Company on behalf of the Company against a bona fide third party is not affected by any non-compliance by his/her conduct during office or election or qualifications.

(Mandatory Provision 113)

Article 14.03 In addition to obligations required by laws, administrative regulations or listing rules of the stock exchange(s) on which shares of the Company are listed, the Directors, the Supervisors, the manager or other senior management of the Company shall have the following obligations to each shareholder in the exercise of the powers of the Company entrusted to him:

- (1) not to cause the Company to exceed the scope of business stipulated in its business licence;
- (2) to act honestly in the best interests of the Company;
- (3) not to deprive the Company in any way of its properties, including (but without limitation) the opportunities beneficial to the Company;
- (4) not to deprive the shareholders of personal interests, including (but not

limited to) the allotment rights and the voting rights, but excluding the restructuring of the Company submitted to the General Meeting of Shareholders for approval in accordance with the Articles of Association.

(Mandatory Provision 114)

Article 14.04 The Directors, the Supervisors, the manager or other senior management of the Company shall be prudent, diligent and skilled in exercising the powers or in discharging the obligations, just like a reasonably prudent person under comparable circumstances.

(Mandatory Provision 115)

Article 14.05 Directors, supervisors, managers and other officials shall perform their duties in good faith, and shall not get involved in any circumstances where their own interests may be contradictory to their obligations. This principle includes but not limited to the performance of followings:

- (1) Act in good faith to the best interests of the Company.
- (2) Exercise powers, rights and authorities within the defined boundary.
- (3) Exercise discretionary power granted to them on their own without being manipulated by others. Unless otherwise allowed under applicable laws or administrative rules and regulations or consented by an informed shareholders' general meeting, such discretionary power shall not be transferred to others.
- (4) Shareholders of the same class shall be equally treated and those of different classes shall be fairly treated.
- (5) Unless otherwise specified in the Articles of Association or approved by an informed shareholders' general meeting, no contract, transaction or arrangement shall be entered into, established or made with the Company.
- (6) Unless otherwise approved by an informed shareholders' general meeting, the assets of the Company shall not be used in any way for their own interests.
- (7) Accepting bribery or other illegal earnings using their authority is not allowed. The assets of the Company, including but not limited to any opportunities in favor of the Company, shall not be seized in any manner,.
- (8) Unless otherwise approved by an informed shareholders' general meeting,

no commissions associated with the transactions of the Company shall be accepted.

- (9) Act in accordance with the Articles of Association, performed their duties in good faith, and safeguard the interests of the Company. Any behaviors leveraging their status or authority at the Company for their own gains are not allowed.
- (10) Unless otherwise approved by an informed shareholders' general meeting, shall not engage in any form of competition against the Company. .
- (11) Company's funds shall neither be diverted or granted to others as a loan, nor deposited at the account opened in its own or others' name. Any personal debts of the shareholders or any others shall not be guaranteed by the assets of the Company.
- (12) Unless otherwise approved by an informed shareholders' general meeting, any confidential information regarding the Company obtained during the term of office shall not be disclosed or used unless it is for the Company's interests. However, the disclosure to the court or other authorities may be made under the following circumstances:
  1. Such disclosure is mandatory under the applicable laws;
  2. Such disclosure is mandatory for public interests;
  3. Such disclosure is mandatory for the interests of such directors, supervisors, managers or other officials.

(Mandatory Provision 116)

Article 14.06 Directors, supervisors, managers or other officials shall not direct the following person or institution ("Associate") to get involved in any activities from which such directors, supervisors, managers or other officials are prohibited to act :

- (1) Spouse or minor children of such directors, supervisors, managers or other officials;
- (2) Trusts of such directors, supervisors, managers or other officials, or trusts of such persons in Clause 1 above;
- (3) Partners of such directors, supervisors, managers or other officials, or partners of such persons in Clause 1 or 2 above;
- (4) Any companies wholly controlled by such directors, supervisors,

managers or other officials, or any companies jointly controlled by any persons or institutions mentioned in Clause 1, 2 or 3 above and such other directors, supervisors, managers or other officials at the Company;

- (5) Directors, supervisors, managers or other officials of the company which is controlled by any persons or institutions mentioned in Clause 4 above.

(Mandatory Provision 117)

Article 14.07 The obligations of acting in good faith of such directors, supervisors, managers or other officials may survive the expiry of their terms. The obligations of confidentiality towards the trade secrets of the Company shall survive the expiry of their terms. The term of other obligations are defined in a fair way, depending on the period between the time the event occurs and the time such term expires, and the circumstance and condition under which or on which their relationship with the Company ends.

(Mandatory Provision 118)

Article 14.08 Unless otherwise specified in Article 7.04, an informed shareholders' general meeting shall have the right to relieve such directors, supervisors, managers or other officials from any responsibilities for violation of any specific obligations.

(Mandatory Provision 119)

Article 14.09 Directors, supervisors, managers or other officials, when directly or indirectly are materially interested in any established or contemplated contracts, transactions or arrangements (except the engagement letter with such directors, supervisors, managers or other officials), they shall disclose the nature and extent of such interests to the board of directors in a timely manner regardless of whether the relevant issues require an approval by the board of directors under normal circumstances.

Unless such directors, supervisors, managers or other officials have made such disclosure according to the clause above, the Company shall have the right to withdraw such contracts, transactions or arrangements when such withdrawal has been approved by the board at the meeting on which such interested directors, supervisors, managers or other officials are not counted in the quorum and voting, provided that bona fide third parties who are not informed of the violations of the obligations of such directors, supervisors,

managers or other officials shall not be affected.

Directors, supervisors, managers or other officials shall be deemed to be interested when the Associate of such directors, supervisors, managers or other officials are interested in a specific contract, transaction or arrangement.

Unless otherwise specified above, any director shall abstain from any resolutions in which such director or his associate are interested. Such director or his associate shall not be counted for voting and quorum, except under the following situations:

- (1) Any contracts or arrangements with any director or its associate established to secure or indemnify any obligations incurred or assumed under the loan granted by such director or its associate at the request of the Company or any of its subsidiaries or for the benefits of the Company or any of its subsidiaries;
- (2) Any contracts or arrangements established to individually or jointly assume all or any part of the responsibilities under the guarantee, indemnity or collateral set up by such director or its associate to cover the debts or obligations of the Company or any of its subsidiaries;
- (3) Any contracts or arrangements established for the subscription or purchase of shares, bonds or other recommended securities of the Company or any other companies in which the Company is a sponsor or shares interests while the director or his associate is a participant shares interests in the recommended underwriting or sub-underwriting;
- (4) Any contracts or arrangements established under which the interests of such director or his associates for their subscription of shares, bonds or other securities at this Company, are the same as other holders of such shares, bonds or other securities at this Company or any of its subsidiaries;
- (5) Any director or its associate holding beneficial interests in any other companies as senior executives, chief executives or shareholders (or any third party companies in which such director or its associate holds interests through such other company), or any contract or arrangement under which such director or its associate holds interests in such company, provided that

such director or its associate jointly holds less than five percent (5%) of issued shares or shares of any class of voting rights at such company (or any third companies in which such director or its associate holds interests through such other company); or

- (6) Any adoption, modification or execution of share option scheme, pension or retirement, death or disability benefits scheme or other arrangements associated with the director or its associate or employees of the Company or any of its subsidiaries, provided that such director or its associate is not offered any contract under which any privileges or benefits are not offered to other employees involved in such scheme or fund.

In this Article, “**Associate**” shall have the same meaning as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

(Mandatory Provision 120, Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, Section 4(1) and Note 1 of Appendix 3)

Article 14.10 It shall be deemed that the directors, supervisors, managers or other officials have made such disclosure in accordance with the previous clauses of this article when such directors, supervisors, managers or other officials notify in writing to the Board of Directors stating that he/she is interested in such contracts, transactions or arrangements before the Company considers the establishment of relevant contracts, transactions or arrangements for the first time. The disclosure required in this article shall be deemed to have been made on such notification.

(Mandatory Provision 121)

Article 14.11 The Company shall not pay the taxes payable by the directors, supervisors, managers or other officials in any manner.

(Mandatory Provision 122)

Article 14.12 The Company shall not, directly or indirectly, grant a loan or loan guarantee to the directors, supervisors, managers or other officials (or their Associates ) at this Company or its parent company, except the followings:

- (1) The Company grants a loan or loan guarantee to its subsidiaries;

- (2) The Company as per the engagement letter approved by the general meeting grants a loan, loan guarantee or other payments to the directors, supervisors, managers or other officials to pay the expenses incurred for the benefits of the Company or incurred during the performance of its duties;
- (3) The Company shall have the right to grant a loan or loan guarantee to the directors, supervisors, managers or other officials or their Associates if such loan or loan guarantee is within its business scope, provided that such loan or loan guarantee is granted based on normal commercial terms.

(Mandatory Provision 123)

Article 14.13 Any of such loans granted by the Company in contrary to the article above shall be paid immediately regardless of the term on which the loan is granted.

(Mandatory Provision 124)

Article 14.14 The Company shall not be obliged to execute the loan guarantee granted by the Company on the contrary to the first clause of Article 14.12, except the followings:

- (1) The lender is not informed of the loan granted to the Associates of the directors, supervisors, managers or other officials of the Company or its parent company;
- (2) The collateral granted by the Company has been lawfully disposed by the lender to a bona fide buyer in accordance with the laws.

(Mandatory Provision 125)

Article 14.15 The guarantees mentioned in the previous articles shall include an undertaking by the guarantor or property provided to secure the performance of obligations by the obligor.

(Mandatory Provision 126)

Article 14.16 Apart from all rights or remedies specified in applicable laws or administrative rules or regulations, if the directors, supervisors, managers or other officials fail to perform their obligations toward the Company, the Company shall have the right to:

- (1) Require the repayment of any losses incurred to the Company due to its

failure of the performance;

- (2) Cancel any contracts or transactions entered into or established by the Company with such directors, supervisors, managers or other officials, or any contracts or transactions entered into or established by the Company with any third party (provided that such party had known or had reasonable grounds to know that such directors, supervisors, managers or other officials on behalf of the Company failed to perform their obligations toward the Company);
- (3) Order the return of any gains due to failing to perform their obligations toward the Company;
- (4) Recover any payment collected by such directors, supervisors, managers or other officials that should have been attributed to the Company, including but not limited to the commission;
- (5) Order the return of any incurred or potentially incurred interest on any payment that should have been attributed to the Company.

(Mandatory Provision 127)

Article 14.17 A written contract shall be entered into with the directors, supervisors, managers or other officials regarding their remuneration. Such contract shall be approved by the general meeting. Such remuneration include:

- (1) Remuneration when acting as a director, supervisor, manager or other official at the Company;
- (2) Remuneration when acting as a director, supervisor, manager or other official at the subsidiary of the Company;
- (3) Payment for his other services for business administration to the Company or its subsidiary;
- (4) Compensations for being removed from the office or for retirement of the director or supervisor.

Except as per the contracts mentioned above, the director or supervisor shall not file a case against the Company for his vested interests referring to in the previous clauses.

(Mandatory Provision 128)

Article 14.18 It shall be stated in the contract entered into with the director or supervisor



regarding its compensations that such director or supervisor shall be paid of the compensations or other payments for being removed from the office or retirement when the Company is about to be acquired, provided that the general meeting has approved such payment in advance. Such acquisition refers to one of the followings:

- (1) Anyone makes a takeover offer to all shareholders;
- (2) Anyone makes a takeover offer, which is designed to be promoted to a controlling shareholder. Such controlling shareholder shall be as per defined in Article 7.05 herein.

Any payments of any director or supervisor failing to comply with this clause shall be attributed to the seller of its shares at the Company following the above-said offer. Such director or supervisor shall pay any expenses incurred during the proportional distribution of such payments. Such expenses shall not be paid out of such payments.

(Mandatory Provision 129)

## **Chapter 15 Finance and Accounting System and Appropriation of Profits**

Article 15.01 The Company's financial and accounting systems are established based on applicable laws, administrative rules and regulations, and the provisions of the Generally Accepted Accounting Principles of China formulated by the financial authority under the State Council.

(Mandatory Provision 130)

Article 15.02 A calendar year is the fiscal year of the Company, commencing on each 1<sup>st</sup> day of January and ending on each 31<sup>st</sup> day of December.

The Company uses RMB for accounting unit. Accounts are prepared in Chinese.

Financial statements shall be prepared at the end of each fiscal year. Such statement is subject to examination and verification.

(Mandatory Provision 131)

Article 15.03 At each annual meeting, the Board of Directors shall submit the financial statements to shareholders which are mandatory under applicable laws,

administrative rules and regulations, and the provisions of the standards promulgated by the local government and competent authorities. Such statement is subject to an audit by appointed CPA.

(Mandatory Provision 132)

Article 15.04 Such statements shall be made available to shareholders at the Company twenty days before the general meeting. Each shareholder shall have access to the financial statement mentioned in this chapter.

The Company shall, at least twenty-one days before the general meeting, deliver such statements (including the annexes which are mandatory under applicable laws) and the directors' report to any of the foreign shareholders using a postage-paid mail service, based on the registered address in the register of shareholders.

(Mandatory Provision 133, Supplementary Opinion (7), Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited - Section 5 of Appendix 3)

Article 15.05 Financial statements shall, in addition to be prepared by the Company in accordance with the Generally Accepted Accounting Principles of China and applicable laws, rules and regulations in China, be also prepared in accordance with the generally accepted accounting principles of the international community or the overseas places where the shares are listed. Any material discrepancies in the two sets of statements prepared based on above-mentioned principles shall be explained in the explanatory notes attached. The lower of the after-tax profits of a specific fiscal year stated in the statements prepared based on the above-mentioned principles shall prevail in the allocation of such profits.

(Mandatory Provision 134)

Article 15.06 Quarterly reports, interim reports, annual reports or finance information made public or disclosed by the Company shall be prepared in accordance with the Generally Accepted Accounting Principles of China and applicable laws, rules and regulations in China, in addition, they shall also be prepared in accordance with the generally accepted accounting principles of international community or the overseas places where the shares are listed.

(Mandatory Provision 135)

Article 15.07 At least twenty-one days before the annual general meeting and within four months upon the maturity of a specific fiscal year, shareholders shall be delivered with the directors' report, annual accounts and accountants' report on such accounts. For the first six months of each fiscal year, an interim report shall be prepared by the Company in accordance with the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. Such interim report shall be made public within sixty days upon the expiry of such period.

(Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited - Section 13.46(2) & 13.48, Mandatory Provision 136)

Article 15.08 No other accounting records shall exist at the Company except those mandatory under applicable laws.

(Mandatory Provision 137)

Article 15.09 In the allocation of after-tax profits of the current year, ten percent goes to the statutory provident fund, five percent to ten percent to the statutory public welfare fund. The reservation is not required when the accumulated statutory provident fund accounts for over fifty percent of the registered capital.

When the statutory provident fund is not enough to recover the losses of the previous year, the recovery of losses out of the profit of the current year shall be made before reservation of statutory provident fund and statutory public welfare fund is made pursuant to the above clause.

After-tax profits of the Company less the statutory provident fund may be reserved for optional accumulation fund after being approved by the general meeting,.

After-tax profits less the losses, statutory provident fund and statutory public welfare fund can be distributed among shareholders based on their respective shareholding.

Article 15.10 No dividends shall be allocated or otherwise allocated as bonus before the losses are recovered and statutory provident fund and statutory public welfare fund are reserved.

Article 15.11 Capital reserve includes:

- (1) Premiums as the proceeds exceeding the nominal share price ;
- (2) Other gains which according to the financial authority under the State Council shall be classified as capital reserve.

(Mandatory Provision 138)

Article 15.12 Provident funds shall only be used for the recovery of losses, the expansion of production capacity or the increment of registered capital.

As approved by the general meeting, when the provident funds are used for the increment of registered capital, shareholders are entitled to distribution of new shares in accordance with their original shareholding (or an increase in nominal value). When the statutory provident funds are so used, however, the remaining portion shall not be less than twenty-five percent of the registered capital.

Article 15.13 The statutory public welfare fund shall be used for the collective welfare of the staff of the Company.

Article 15.14 Dividends are allocated based on the shareholding of each shareholder within six months upon the expiry of each fiscal year.

Unless otherwise determined by the general meeting, the general meeting shall have the right to authorize the board for the allocation of interim dividends. Unless otherwise specified in applicable laws or rules or regulations, interim dividends shall not exceed fifty percent of the distributable profits stated in the interim report.

Any payments for subscriptions made before the calls on shares bear interests. Shareholders, however, shall not be entitled to claim dividends which are announced for payment afterwards based on their respective prepaid subscriptions.

Any unclaimed dividends can only receive forfeiture upon the expiry of applicable terms.

(Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited - Section 3(1) & (2) of Appendix 3)

Article 15.15 Dividends may be paid in the form of:

- (1) Cash;
- (2) Share.

(Mandatory Provision 139)

Article 15.16 For shareholders of domestic shares, cash dividends or other payments are paid or made in RMB. For shareholders of overseas listed foreign shares, cash dividends or other payments are denominated in RMB and paid in Hong Kong dollars. Foreign currencies for the payment of cash dividends or other payments to shareholders of overseas listed foreign shares shall be purchased as per the applicable rules on foreign exchanges.

Article 15.17 Unless otherwise specified in applicable laws or rules or regulations, cash dividends or other payments shall be paid in Hong Kong dollars based on the average mid-point of the exchange rate promulgated by the People's Bank of China for the calendar week before such dividends or payments are announced for payment.

Article 15.18 Unless otherwise resolved by the general meeting, the general meeting may authorize the board in the allocation of interim dividends or special dividends.

Article 15.19 The Company shall, when allocating dividends among shareholders, withhold or pay the tax payable in accordance with the applicable laws in China.

Article 15.20 The Company shall appoint a receiving agent for foreign shareholders. Such agent claims on behalf of such foreign shareholders the dividends or other payments payable.

Such appointed agent shall comply with the laws of the jurisdiction of the listing or the requirements under the provisions of the stock exchange where the shares are listed.

A receiving agent appointed by the Company for foreign shareholders of listed companies at The Stock Exchange of Hong Kong Limited shall be a trust company registered under the Trustee Ordinance.

(Mandatory Provision 140, Supplementary Opinion (8), Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited - Section

## **Chapter 16 Appointment of Accountancy Firm**

Article 16.01 An independent CPA established according to applicable provisions shall be appointed by the Company, responsible for the annual audit of financial statements and other reports.

The first accounting firm of the Company, can be appointed by the meeting of founders before the first annual meeting. Its term shall end on the conclusion of the first annual meeting.

The board of directors can exercise the powers mentioned above if the meeting of founders fails to exercise such power. .

(Mandatory Provision 141)

Article 16.02 The appointment term of the CPA begins and ends between each two annual meetings.

(Mandatory Provision 142)

Article 16.03 The CPA so appointed shall:

- (1) Have an immediate access to review books, records or vouchers at the Company, and shall have the right to require the submission of supporting documents and information by the directors, managers or other officials;
- (2) Have the right to require the Company to take all reasonable measures to obtain all material or information from its subsidiaries which deems necessary for the performance of its duties;
- (3) Have the right to appear at the general meetings, and have access to the notification or others relevant to which any shareholder is the recipient, and comments on issues associated with its duties as CPA at any of such meetings.

(Mandatory Provision 143)

Article 16.04 The Board of Directors can appoint another accounting firm to the post left vacant by the CPA before a general meeting. During such vacancy, however, if there are other existing CPA still serving the Company during the period, it shall continue in the performance of its duties.

(Mandatory Provision 144)

Article 16.05 Notwithstanding any letter of engagement entered into with CPA, the general meeting shall, through an ordinary resolution, have the right to remove CPA from the post before the expiry of its terms. If the accounting firm so removed shall be entitled to claim against the Company for damages in respect of such removal, such entitlement shall not be prejudiced thereby.

(Mandatory Provision 145)

Article 16.06 The general meeting determines the remunerations of CPA or the way such remunerations are fixed. The board shall determine the remunerations of the CPA it appointed.

(Mandatory Provision 146)

Article 16.07 The general meeting determines the appointment, removal or discontinuing of the appointment of CPA of the Company, and it shall file with the competent authority under the State Council.

(Mandatory Provision 147, Supplementary Opinion (9))

Article 16.08 CPA shall receive a prior notice for such removal or discontinuing its appointment. CPA shall have the right to be heard in the general meeting. CPA, when submitting its resignation, shall address to the general meeting for any inappropriate events at the Company (if any).

Such resignation can be submitted by a notice made available at the registered address of the Company. Such resignation becomes effective on the date such notice is made available or the date specified therein, whichever is later. Such notice shall include:

1. A statement that in CPA's opinion there are no events associated with such resignation that should be addressed to shareholders or creditors, or
2. A statement that regarding any events associated with such resignation that should be addressed.

The competent authority shall be copied of the notice mentioned above within fourteen days upon the receipt of such notice at the Company. The duplicates of the statements in such notice mentioned in Clause 2 above shall be made available at the Company, for shareholders' review. The Company shall also deliver the duplicate of such statement to any of the overseas shareholders, using a postage-paid mail service, based on the registered address in the

register of shareholders.

If such notice contains a statement concerning any associated events that should be addressed, CPA shall have the right to request that an extraordinary general meeting be called by the Board of Directors for its account of the associated events.

(Mandatory Provision 148, Supplementary Opinion (10))

Article 16.09 The following applies when the general meeting determines to appoint a non-serving auditor to fill the vacancy, reappoint an auditor appointed by the board to fill the vacancy, or remove an auditor from its post before the expiry of its terms:

- (1) The auditor to be appointed, removed or departed before the end of the fiscal year shall be copied of such resolution before the notice of the general meeting is issued. Such departure includes dismissal, resignation and retirement.
- (2) The following applies when the outgoing auditor represents in writing and requires that shareholders shall be informed of such representation, unless such representation is received by the Company too lately.
  1. The notice to shareholders regarding the resolutions determined shall state that the outgoing auditor has made a representation;
  2. Any shareholder who has access to the notice to the general meeting shall be copied of such representation.
- (3) Auditor shall have the right to require a presentation of such statement at the general meeting if the Company fails to deliver the notice in accordance with the two clauses above. An appealing mechanism is also in place in this case.
- (4) The outgoing auditor shall have the right to appear at:
  1. The general meeting in which its term is about to expire;
  2. The general meeting convened to appoint another auditor to its post to fill the vacancy due to its dismissal;
  3. The general meeting convened to appoint another auditor to its post to fill the vacancy due to its resignation;

Any of the notice of above meetings or relevant information shall be



received by the outgoing auditor who shall have the right to address the meeting regarding the issues associated with such former auditor.

(Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited - Section 1(e)(i) of Appendix 13D)

Article 16.10 The outgoing auditor can make the notice available at the registered office of the Company. Such notice shall include any of the following statements:

- (1) that in its opinion there are no events associated with such resignation that should be addressed to shareholders or creditors, or
- (2) that there are any events that should be addressed.

Such notice becomes effective on the date such notice is made available at the registered office of the Company or the date specified therein, whichever is later.

(Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited - Section 1(e)(ii) of Appendix 13D)

Article 16.11 The Company shall, within 14 days upon the receipt of the notice mentioned in Article 16.10, file the duplicate with the competent authority. The Company shall also send such notice containing the statement mentioned in Clause 2 of Article 16.10 to any of the shareholders that shall have access to the financial statements of the Company.

(Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited - Section 1(e)(iii) of Appendix 13D)

Article 16.12 If such resignation notice contains a statement mentioned in Clause 2 of Article 16.10, the auditor shall have the right to request that an extraordinary general meeting shall be called by the Board of Directors for its account of the issues associated with such resignation.

(Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited - Section 1(e)(iv) of Appendix 13D)

## **Chapter 17 Merger and Division of the Company**

Article 17.01 Merger or division of the Company shall, be proposed by the Board of

Directors and be approved in accordance with the Articles of Association and complete the reviewing and approval procedures. Shareholders opposing such merger or division shall have the right to require the acquisition of their shares at a fair price by the Company or shareholders upholding such merger or division. A special document shall be prepared for such merger or division resolution for shareholders' review, and delivered to foreign shareholders using a mail service.

(Mandatory Provision 149)

Article 17.02 Merger may take the form of a merger or consolidation.

Each party involved shall enter into an agreement regarding such merger. A balance sheet and inventory of properties shall be prepared accordingly. The Company shall notify creditors of such merger within ten days upon the determination and announce such merger in newspaper for at least three times within thirty days.

Credits and debts attributable to the parties hereto shall be taken or assumed by the company surviving such merger or the new company thus established.

(Mandatory Provision 150, Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited - Section 7(1) of Appendix 3)

Article 17.03 After a division of the Company, a division of the properties shall be conducted accordingly by the Company.

Each party involved shall enter into an agreement regarding such division. A balance sheet and inventory of properties shall be prepared accordingly. The Company shall notify creditors of such division within ten days upon the determination and announce such division in newspaper for at least three times within thirty days.

As per the agreement entered into, debts attributable to the Company before the division shall be assumed by the companies thereby established.

(Mandatory Provision 151, Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited - Section 7(1) of Appendix 3)

Article 17.04 Changes in registration matters (if any) after such merger or division shall be filed with the registrar. Registration of cancellation shall be completed for a

dissolved company and registration of incorporation shall be completed for newly established companies.

(Mandatory Provision 152)

## **Chapter 18 Dissolution and Liquidation of the Company**

Article 18.01 The dissolution and liquidation process initiates upon the occurrence of any of the followings:

- (1) The business term expires;
- (2) The Company is dissolved as per the resolution approved by the general meeting;
- (3) The Company is dissolved as a result of merger or dissolution;
- (4) The Company is declared bankrupt for not being able to repay the debts due;
- (5) The Company is ordered to close due to its violation of applicable laws or administrative rules or regulations.

(Mandatory Provision 153)

Article 18.02 A liquidation committee shall be formed within fifteen days upon the dissolution of the Company as per Clause 1 or 2 above. Its members shall be designated by the general meeting through an ordinary resolution.

A liquidation committee shall be formed for the Company dissolved as per Clause 4 above. Its members shall be designated by the court as per applicable laws, including shareholders, competent authorities and professionals.

A liquidation committee shall be formed for the Company dissolved as per Clause 5 above. Its members shall be designated by the competent authority, including shareholders, competent authorities and professionals.

(Mandatory Provision 154)

Article 18.03 When the Company is determined by the Board of Directors to go into liquidation (except that due to a declared bankruptcy of the Company), it shall be declared in the notice of a extraordinary general meeting that the board has a comprehensive understanding of the status of the Company, and that the Company shall be able to repay all of its debts within twelve months upon the

initiation of the liquidation.

The Board of Directors shall cease its powers or authorities upon the determination of liquidation by the general meeting.

The liquidation committee shall, based on the instructions of the general meeting, submit report to the meeting at least once a year, including such items as income and expense, the status of the business and liquidation at the Company. A final report shall be submitted to the meeting upon the conclusion of the process.

(Mandatory Provision 155)

Article 18.04 Creditors shall be informed of the establishment of the committee within ten days. Such establishment shall be announced in newspaper for at least three times within sixty days. Registration of claims shall be performed by the committee.

(Mandatory Provision 156, Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited - Section 7(1) of Appendix 3)

Article 18.05 During the process, the committee shall have the right to:

- (1) Produce an inventory of properties and balance sheet;
- (2) Have the creditors informed or posted;
- (3) Handle and clear up all pending businesses;
- (4) Repay all taxes owed;
- (5) Clear up all credits and debts;
- (6) Dispose of the properties less the debts owed;
- (7) Get involved in civil proceedings in the Company's name.

(Mandatory Provision 157)

Article 18.06 A liquidation plan shall be formed by the committee after the clearing up of the properties and preparation of balance sheet and inventory of properties. Such plan shall be submitted to the general meeting or competent authority for confirmation.

Properties of the Company shall be used for the repayment in the following order:

- (1) Liquidation cost;
- (2) Labor cost and insurance charge;
- (3) Taxes owed;
- (4) Debts.

The properties after the repayment of above items shall be allocated among shareholders based on the category and ratio of their respective subscriptions.

New operations are not allowed during the liquidation period.

(Mandatory Provision 158)

Article 18.07 During the check of the properties and the preparation of balance sheet and inventory of properties of the Company which goes liquidation due to the dissolution, the committee shall file an immediate request for declared bankruptcy with the court when the properties are found not enough to cover the debts. The committee shall pass the liquidation matters on to the court which determines the declared bankruptcy of the Company.

(Mandatory Provision 159)

Article 18.08 The committee shall produce a liquidation report and the income and expenditure statements and financial books during the process upon the conclusion of the liquidation. Such reports, statements and books shall receive a verification by the certified accountant in China, and be submitted to the general meeting or competent authority for confirmation.

The committee shall, within 30 days upon the confirmation by the general meeting or competent authority, file such reports, statements and books with the registrar for the registration of cancellation. The cancellation shall be announced.

(Mandatory Provision 160)

## **Chapter 19 Procedures for the Amendment of the Articles of Association**

Article 19.01 The Articles of Association of the Company may be amended in accordance with the provisions of laws, administrative rules and the Articles of Association.

(Mandatory Provision 161)

Article 19.02 The following procedures shall be followed when any amendment is to be made to the Articles of Association:

- (1) Prepare a revision proposal by the Board of Directors through a resolution based on the Articles of Association;
- (2) Inform shareholders of such proposal and organize a general meeting for voting;
- (3) The revisions proposed at the general meeting shall be made by way of special resolution.

Article 19.03 Any such amendment associated with the Mandatory Provisions becomes effective upon the approval by the approval authority authorized by the State Council and China Securities Regulatory Commission. Any associated registration matters shall be registered in accordance with the laws.

(Mandatory Provision 162)

## **Chapter 20 Settlement of Disputes**

Article 20.01 The following rules on the settlement of disputes apply to the Company:

- (1) Any disputes or claims associated with the matters of the Company based on the rights or obligations outlined in the Articles of Association, the Companies Law and other applicable laws and administrative rules and regulations between foreign shareholders, between foreign shareholders and the directors, supervisors, managers and other officials, between foreign shareholders and shareholders in China shall be settled through arbitration.

Any of such disputes or claims submitted for arbitration shall be submitted as a whole. The Company or the directors, supervisors, managers and other officials at the Company shall honor the arbitral award when the Company or such directors, supervisors, managers and other officials is/are involved in the case based on the same cause of actions or whose involvement is mandatory for the settlement of such disputes or claims.

Any disputes associated with the definition of shareholders or register of shareholders can be settled without the aid of arbitration.

- (2) The parties hereto can choose to go to China International Economic and Trade Arbitration Committee for arbitration based on its arbitration rules, or with Hong Kong International Arbitration Centre based on its

administered arbitration rules. The arbitration organization selected by the party escalating the case for arbitration shall have the jurisdiction over the disputes or claims.

If the escalating party chooses to go with Hong Kong International Arbitration Centre, either party hereto can petition for arbitration in Shenzhen based on the administered arbitration rules of the Hong Kong International Arbitration Centre.

- (3) Unless otherwise specified in applicable laws and administrative rules or regulations, the laws of the People's Republic of China shall govern the arbitration-based settlement of disputes or claims under Clause 1 above.
- (4) The award of above-mentioned arbitration organ is final and binding upon both parties hereto.

(Mandatory Provision 163, Supplementary Opinion (11))

## **Chapter 21 Insurance**

Article 21.01 The Company shall insure with the People's Insurance Company of China Limited or other registered insurers in China which according to applicable laws in China are qualified providers of insurance to domestic companies.

The Board of Directors shall determine the coverage, insured amount and other term and the period, based on the practice of other fellows in foreign countries and the practices and legal requirements in China.

## **Chapter 22 Labor Management**

Article 22.01 The Company-level institutions in such aspects as labor, personnel, compensations, benefits and social insurance are established in accordance with the laws and administrative rules and regulations in China.

Article 22.02 Management at each level is engaged by the Company. Workers are employed on a contractual basis. Staffing and placement are made at its own discretion. Management and workers can be dismissed as per the applicable administrative rules and regulations and the contract.

Article 22.03 Based on the profits and to the extent allowed by applicable administrative rules and regulations, the Company shall have the final say on the

compensations and benefits of management at each level and workers.

Article 22.04 The medical insurance, pension insurance and unemployment insurance are purchased for management and workers following the applicable administrative rules and regulations promulgated by the central government and local government of China. The Company shall implement the laws, administrative rules, regulations and provisions in respect of the insurance and labour protection of retired or unemployed workers.

## **Chapter 23 Trade Union**

Article 23.01 As per the Trade Union Law of the People's Republic of China, staff shall have the rights to establish a trade union at the Company and sponsor activities accordingly. Unless otherwise specified by the Board of Directors, such activities shall be conducted outside working hours.

The Company shall allocate two percent (2%) of its total wages on a monthly basis to the union for its consumption according to the Rules on the Use of Funds promulgated by the All-China Federation of Trade Unions.

## **Chapter 24 Notices**

Article 24.01 Unless otherwise specified herein, any notices, documents or written statements addressed to the foreign shareholders shall be served in person or by a postage-paid letter based on their respective registered address.

Article 24.02 The notice to be delivered using a postage-paid mail service shall state clearly the address. The notice is deemed delivered when the envelope containing such notice is put into the mailbox, and deemed to be received 48 hours after the delivery.

## **Chapter 25 Supplementary Provisions**

Article 25.01 Articles not mentioned herein shall be determined by the general meeting through a resolution proposed by the Board of Directors.

Article 25.02 Any important matters including employment shall be announced in newspaper.



Article 25.03 The Articles of Association becomes effective when it is accepted by the general meeting and the overseas listed foreign shares (H-Share) are issued. Such Articles of Association shall be filed with the administration of commerce and industry for the registration of change.

Article 25.04 Any reference to “above” or “below” herein shall include the amount itself. Any reference to “less than” or “beyond” shall not include the amount itself.

Article 25.05 This Articles of Association is prepared in Chinese. The Chinese text most recently approved by and registered with the administration of commerce and industry shall prevail if there is any discrepancy between the Chinese text and any other texts or versions.

Article 25.06 The Board of Directors shall have the power of interpretation of the Articles of Association. The general meeting shall have the right to amend the Articles of Association.

Article 25.07 “CPA” mentioned herein shall carry the same meaning as auditor. The “manger” and “deputy manager” herein refer to the “general manager” and “deputy general manager” of the Company respectively.

(Mandatory Provision 165)

Article 25.08 The “Mandatory Provision”, “Supplementary Opinion”, “Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited” and “Comments of Hong Kong Registrars Limited” mentioned herein refer to the articles prepared according to the Mandatory Provisions in the Articles of Association of Companies to Be Overseas Listed promulgated by the Securities Commission of the State Council and the National Commission for Economic Restructuring 27 August 1994, the Comments on the Supplement or Amendment to the Articles of Association of Companies to Be Listed in Hong Kong promulgated by the Department of overseas listing of China Securities Regulatory Commission and the Production System Division of the State Commission for Restructuring on 3 April 1995, the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and the Comments of Hong Kong Registrars Limited.