

南京熊猫電子股份有限公司  
**NANJING PANDA ELECTRONICS COMPANY LIMITED**  
*(A joint stock company incorporated in the People's Republic of China with limited liability)*  
(Stock Code: 0553)

# Articles of Association

**NOTE: This is a consolidated version of the articles of the association not formally adopted by shareholders in a general meeting. The Chinese version shall prevail in case of inconsistency or discrepancy between the Chinese version and its English translation.**

# Nanjing Panda Electronics Company Limited

## Articles of Association



(Amended by way of special resolution at the extraordinary general meeting of the Company convened on 5 December 1995)

(Amended by way of special resolution at the extraordinary general meeting of the Company convened on 26 January 1998)

(Amended by way of special resolution at the annual general meeting of the Company convened on 29 June 2001)

(Amended by way of special resolution at the annual general meeting of the Company convened on 12 May 2004)

(Amended by way of special resolution at the annual general meeting of the Company convened on 29 June 2005)

(Amended by way of special resolution at the 2006 second extraordinary general meeting of the Company convened on 31 December 2006)

(Amended by way of special resolution at the 2008 second extraordinary general meeting of the Company convened on 31 December 2008)

(Amended by way of special resolution at the 2009 first extraordinary general meeting of the Company convened on 23 December 2009)

(Amended by way of special resolution at the 2011 second extraordinary general meeting of the Company convened on 28 December 2011)

(Amended by way of special resolution at the 2012 second extraordinary general meeting of the Company convened on 21 December 2012)

(Amended by way of special resolution at the 2013 first extraordinary general meeting of the Company convened on 26 September 2013)

(Amended by way of special resolution at the 2014 first extraordinary general meeting of the Company convened on 12 March 2014)

(Amended by way of special resolution at the 2014 annual general meeting of the Company convened on 30 June 2015)

(Amended by way of special resolution at the 2016 second extraordinary general meeting of the Company convened on 29 December 2016)

(Amended by way of special resolution at the 2017 first extraordinary general meeting of the Company convened on 30 November 2017)

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# **Articles of Association of Nanjing Panda Electronics Company Limited**

## **Chapter 1 General Provisions**

**Article 1** The Company is a joint stock company with limited liability incorporated under relevant laws, regulations and policies of the People's Republic of China ("PRC") and the approval of Nanjing Economic System Reform Committee as evidenced by Ning Ti Gai Zi (1992) document No. 034. The Company was registered with the Nanjing Administration for Industry and Commerce and obtained its business license on 29 April 1992.

The Company was confirmed by Ti Gai Sheng (1996) document No.21 of the State Economic Systems Reform Commission in March 1996, as a joint stock company that issued and listed its shares in Hong Kong.

The promoter of the Company: Panda Electronics Group Company

**Article 2** The registered name of the Company

Chinese name: 南京熊猫电子股份有限公司

English name: Nanjing Panda Electronics Company Limited

**Article 3** Company's corporate domicile: Level 1-2, Block 05, North Wing, Nanjing High and New Technology Development Zone, Nanjing, Jiangsu Province, the PRC

Postcode: 210002

Telephone: (8625)4800855

Facsimile: (8625)4820729

**Article 4** The Company's legal representative shall be the chairman (the "Chairman") of the board of directors or the general manager of the Company, as determined by the board of directors of the Company.

**Article 5** The Company shall a joint stock limited company in perpetual existence.

**Article 6** All assets of the Company shall be divided into shares with the same par value per share. Liability of the shareholders shall be limited to the extent of the shares subscribed by them. Company shall be liable for its debts to the extent of its entire assets.

**Article 7** These articles of association of the Company (the "Articles of Association") are formulated and amended in accordance with the Company Law of the People's Republic of China (the "Company Law"), the Special Regulations on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies promulgated by the State Council (the "Special Regulations"), the Mandatory Provisions for the Articles of Association of Companies to be Listed Overseas (the "Mandatory Provisions") and other relevant laws and administrative regulations.

**Article 8** Upon obtaining approval from the competent authorities, the Articles of Association shall take effect and replace the original articles of association of the Company.

**Article 9** From the date of the coming into effect of the Articles of Association, the Articles of Association shall constitute a legally binding document regulating the Company's organization and activities, and the rights and obligations between the Company and each shareholder and between the shareholders inter se.

**Article 10** The Articles of Association shall be binding on the Company and its shareholders, directors, supervisors, general managers and other senior management members, all of whom shall be entitled to claim their rights related to the Company's affairs in accordance with the Articles of Association.

The Company's shareholder(s) shall be entitled to bring proceedings under the Articles of Association against the Company and vice versa. The Company's shareholder(s) shall be entitled to bring proceedings under the Articles of Association against each other, the directors, supervisors, general managers and other senior management members of the Company.

Other senior management members referred to in the Articles of Association means deputy general managers, chief accountant and secretary to the board of directors of the Company.

The aforesaid proceedings include court proceedings and arbitration proceedings.

**Article 11** The Company may invest in other limited liability companies and joint stock limited companies, to which the Company shall be liable to the extent of the amount of its capital contribution.

When foreign shareholder(s) of the Company acquire(s), with a freely convertible currency, and hold(s) more than 25% of the Company's registered capital, the Company may, upon the approval by the relevant government authorities, enjoy the privilege and preferential treatment granted to foreign-invested enterprises in accordance with relevant PRC laws and regulations.

**Article 12** Under the premise of compliance with PRC laws and regulations, the Company has the power to raise and borrow money, which power includes (but is not limited to) the power to issue debentures, charge or pledge part or whole of the Company's assets.

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

**Article 13** The Company's objects and scope of business are to:

adhere to the principle of “technology first, end-users first, credibility first, services first”; vigorously develop high-technology; achieve modern scientific management; improve economic efficiency; and strive to build a world-class electronics enterprise, to contribute to national economic prosperity; revitalize the electronics industry as well as to bring reasonable economic benefits to all shareholders.

**Article 14** The Company's scope of business shall only cover the items approved by the company registration authority.

The business scope includes:

development, production and sale of communication equipments, computers and other electronic equipment; meters and instruments, cultural and office machinery; electrical machinery and equipment; plastic products; general equipments such as fans, scales and packaging equipment; special equipments for the processing of chemical, wood and non-metallic products; electrical transmission/distribution and control equipments; environmental, public safety and other equipment; wireless television broadcasting equipment; financial and tax control equipment; mains supply products; molds; computer services, software services and systems integration; property management; as well as after-sale services and technical services for the aforesaid businesses.

**Article 15** Based on the trends in domestic and international markets, domestic business development needs and its development capability and business requirements, the Company may, upon approval by the relevant government authorities, adjust its investment policy and business scope and establish branches and representative offices, whether wholly-owned or not, at home and abroad as well as in Hong Kong, Macao and Taiwan.

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

**Article 16** There must, at all times, be ordinary shares in the Company. The ordinary shares issued by the Company include domestic-invested shares and foreign-invested shares. Upon the approval by the competent authorities, the Company may issue other classes of shares according to its needs.



**Article 17** All shares issued by the Company shall have a par value of Renminbi 1 yuan each.

The Renminbi referred to in the preceding paragraph is the lawful currency of the PRC.

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

The foreign investors referred to in the preceding paragraph means those investors from foreign countries and from the regions of Hong Kong, Macau and Taiwan who have subscribed for shares issued by the Company. Domestic investors mean those investors within the territory of the PRC (other than investors from the regions referred to in the preceding sentence) who have subscribed for shares issued by the Company.

**Article 19** Shares issued by the Company to domestic investors for subscription in Renminbi shall be referred to as domestic-invested shares. Shares issued by the Company to overseas investors for subscription in foreign currency shall be referred to as foreign-invested shares. Foreign-invested shares which are listed outside the PRC shall be referred to as overseas-listed foreign-invested shares. Unless otherwise stipulated in the Articles of Association, both the holders of domestic-invested shares and foreign-invested shares are the holders of ordinary shares, and have the same rights and obligations.

The foreign currency referred to in the preceding paragraph is a legal currency (other than Renminbi) of other countries or regions recognized by the State department in charge of the foreign exchange and which can be used for payment of the Company's shares.

**Article 20** Foreign-invested shares issued by the Company listed in Hong Kong shall be called "H Shares". H Shares refer to the shares approved by The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") to be listed with their par value denominated in Renminbi and to be subscribed and traded in Hong Kong dollar.

**Article 21** On the date of establishment of the Company on 29 April 1992, the total share capital of Company comprised 515,000,000 ordinary shares, among which 480,000,000 shares, representing 93.2% of the total share capital of the Company, and 35,000,000 shares, representing 6.8% of the total share capital of the Company, were held by the promoter and other domestic shareholders respectively. In accordance with the Company Law and its supporting laws and administrative regulations and upon the restructuring of the Company being confirmed and approved by Ti Gai Sheng (1996) document No.21 of the State Economic Systems Reform Commission, the Company's total share capital was changed into 390,015,000 ordinary shares, among which 355,015,000 shares, representing 91.03% of the total share capital of the Company, and 35,000,000 shares, representing 8.97% of the total share capital of the Company, were held by the promoter and other domestic shareholders respectively.

**Article 22** As approved by Ti Gai Sheng (1996) document No.23 of the State Economic Systems Reform Commission and Zheng Wei Fa (1996) document No.6 of the Securities Committee of the State Council, the Company was transformed into a joint stock company with public offering, issuing 265,000,000 additional ordinary shares comprising 242,000,000 overseas-listed foreign-invested shares and 23,000,000 domestic-invested shares issued to domestic public investors.

The share capital structure of the Company comprises 655,015,000 ordinary shares, of which 355,015,000 shares are held by the promoter Panda Electronics Group Company, 58,000,000 shares are held by holders of other domestic shares and 242,000,000 shares are held by holders of overseas-listed foreign-invested shares.

**Article 23** Upon approval by the securities authority of the State Council of the proposal for the Company to issue overseas-listed foreign-invested shares and domestic invested shares, the board of directors of the Company may make implementation arrangements for separate issue.

The Company's proposal for the separate issue of overseas-listed foreign-invested shares and domestic-invested shares pursuant to the preceding sentence may be implemented within fifteen (15) months from the date of approval by the Securities Commission of the State Council.

**Article 24** Where the Company issues overseas-listed foreign-invested shares and domestic-invested shares respectively within the total number of shares as determined in the issuance proposal, the respective shares shall be subscribed for in full on a single occasion. If, under special circumstances, they cannot be subscribed for in full on a single occasion, these shares may, upon approval by the authorities in charge, be issued in several occasions.

**Article 25** The Equity Division Reform Proposal of the Company was approved at the relevant shareholders' meeting held on 28 July 2006. As approved and endorsed by the Ministry of Commerce of the State Council, the shareholding of the Company is as follows:

There are a total of 655,015,000 ordinary shares, of which 334,715,000 legal person shares with liquidity, representing 51.10% of the total share capital, were held by Panda Electronics Group Company Limited; 78,300,000 shares, representing 11.95% of the total share capital, were held by public shareholders; 242,000,000 shares, representing 36.95% of the total share capital, were held by overseas listed foreign shareholders.

**Article 26** Pursuant to the Approval for Non-public Issue of Shares by Nanjing Panda Electronics Company Limited (Zheng Jian Xu Ke [2013] No. 332)《關於核准南京熊貓電子股份有限公司非公開發行股票的批覆》（證監許可[2013]332號） given by the China Securities Regulatory Commission, the Company issued 258,823,529 ordinary shares by way of non-public issuance in June 2013. Upon completion of such issue, the Company's equity structure comprises:

913,838,529 ordinary shares, with 671,838,529 domestic shares, accounting for 73.52 % of the total share capital, and 242,000,000 overseas-listed foreign shares, accounting for 26.48% of the total share capital.

**Article 27** The Company's registered capital is RMB913,838,529.

**Article 28** The Company may, accordingly to its operating and development needs, approve an increase in its capital in accordance with the relevant provisions of the Articles of Association.

The Company may increase its capital in the following manners:

- (1) Issuing new shares to the public;
- (2) Offering new shares to specific investors;
- (3) Placing new shares to existing shareholders;
- (4) Issuing new bonus shares to the existing shareholders;
- (5) Other manners as permitted by the laws and administrative regulations or that are approved by China Securities Regulatory Commission.

Upon approval in accordance with the provisions in the Articles of Association, the increase in the capital of the Company by way of issuing new shares shall be in accordance with the procedures specified in the relevant PRC laws and administrative regulations.

**Article 29** Unless otherwise provided by laws and administrative regulations, the Company's shares are freely transferable and free from any lien.

**Article 30** The Company does not accept the shares of the Company as the subject matter of a pledge.

**Article 31** Shares in the Company held by the promoter shall not be transferred within one (1) year from the date of the Company's establishment. The shares issued by the Company prior to the public offering of the Company's shares shall not be transferred within one (1) year from the date when the Company's shares are listed and traded on the stock exchange(s).

During their tenure, the directors, supervisors and senior management member of the Company shall report to the Company their shareholdings and changes therein and shall not transfer more than 25% of the total number of shares held by them per year. The shares held by them shall not be transferred within one (1) year from the date the shares of the Company were listed and traded on the stock exchange(s). The aforesaid person(s) shall not transfer the shares of the Company held by them within six (6) months commencing from the termination of their service.

**Article 32** Any gains from sale of shares in the Company by any director, supervisor, senior management member or shareholder (other than a holder of overseas listed foreign-invested shares) holding 5% or more of the shares in the Company within six (6) months after their purchase of the same, and any gains from purchase of shares in the Company by any of the aforesaid parties within six (6) months after sale of the same shall belong to the Company and the board of directors of the Company shall recover such gains from the abovementioned parties. However, if a securities company holds 5% or more of the shares of the Company by buying the remaining shares pursuant to an underwriting arrangement, the sale of such shares is not restricted by the six-month limitation.

Should the board of directors of the Company not observe the preceding paragraph, shareholders shall be entitled to request the board of directors to execute the same within thirty (30) days. If the board of directors fails to do so within the aforesaid time limit, the shareholders may initiate court proceedings directly in their own name for the interests of the Company.

Should the board of directors of the Company fails to comply with the requirements set out in the first paragraph, the responsible director(s) shall assume joint and several liabilities under laws.

## **Chapter 4 Reduction of Capital and Repurchase of Shares**

**Article 33** As stipulated in the Articles of Association, the Company may, upon approval by the competent authorities, reduce its registered capital according to relevant procedures.

**Article 34** The Company shall prepare a balance sheet and an inventory of assets when it reduces its registered capital.

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

The Company's registered capital after the capital reduction shall not be less than the minimum statutory amount.

**Article 35** The Company may, according to the provisions of relevant laws, administrative regulations, departmental rules and the Articles of Association, and subject to the approval of the relevant governing authority of the State, repurchase its issued shares under the following circumstances:

- (1) cancellation of shares for the purpose of capital reduction;
- (2) merger with another company that holds shares in the Company;
- (3) granting shares to employees of the Company as incentives;
- (4) acquiring shares held by shareholders (upon their request) who vote against any resolution proposed in any general meeting on the merger or division of the Company; or
- (5) other circumstances as permitted by laws and administrative regulations.

Repurchase of issued shares in the Company shall be made in accordance with Articles 35 to 38 of the Articles of Association.

**Article 36** The Company may, with the approval of the relevant governing authority of the State for repurchasing its shares, conduct the repurchase in one of the following manners:

- (1) make a pro rata general offer of repurchase to all of its shareholders;
- (2) repurchase shares through open transactions on a stock exchange;
- (3) repurchase under an off-market agreement;
- (4) in other manners as permitted by China Securities Regulatory Commission.

**Article 37** Where the Company repurchases its shares through an off-market agreement, it shall seek prior approval of the shareholders at general meeting in accordance with the Articles of Association. The Company may, with prior approval of shareholders at the general meeting in the like manner, release or vary a contract so entered into by the Company in the manner set forth above or waive its rights thereunder.

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

The Company shall not assign a contract to repurchase its shares or any of its right thereunder.



**Article 38** Where the Company repurchases its shares pursuant to subparagraphs (1) to (3) of Article 35, such purchase shall be approved by shareholders at general meeting. Shares repurchased by the Company under subparagraph (1) of Article 35 shall be cancelled within ten (10) days from the date of acquisition; for those circumstances described in subparagraphs (2) and (4), the shares shall be transferred or cancelled within six (6) months.

Shares repurchased under subparagraph (3) of the Article 35 shall not exceed 5% of the total number of shares of the Company in issue; funds applied by the Company for repurchase shall be made out of the after-tax profit of the Company; and the shares purchased shall be transferred to the employees within one (1) year.

**Article 39** Unless the Company is in the course of liquidation, it must comply with the following provisions in respect of repurchase of its issued shares:

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

- (ii) if the shares being repurchased were issued at a premium to their par value, payment shall be made out of the book balance of distributable profits of the Company or out of the proceeds of a fresh issue of shares made for that purpose, provided that the amount paid out of the proceeds of the fresh issue shall not exceed the aggregate of premiums received by the Company on the issue of the shares repurchased nor the current amount of the Company's share premium account (including the premiums on the fresh issue).
- (3) payment by the Company in consideration of the followings shall be made out of the Company's distributable profits:
  - (i) acquisition of rights to repurchase shares of the Company;
  - (ii) variation of any contract to repurchase shares of the Company;
  - (iii) release of the Company's obligation under any contract to repurchase its shares.
- (4) after the Company's registered share capital has been reduced by the total par value of the cancelled shares in accordance with the relevant provisions, the amount deducted from the distributable profits of the Company for payment of the par value portion of the shares repurchased shall be transferred to the Company's share premium account.

## **Chapter 5      Financial Assistance for the Acquisition of Shares in the Company**

**Article 40**      The Company and its subsidiaries shall not, by any means and at any time, provide any kind of financial assistance to a person who is acquiring or is proposing to acquire shares of the Company. The said acquirer of shares of the Company includes a person who directly or indirectly assumes any obligations due to the acquisition of shares of the Company.

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

This provision does not apply to the circumstances as stated in Article 42 of this chapter.

**Article 41**      The financial assistance as referred to in this chapter includes, but not limited to, the followings:

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

- (4) any other form of financial assistance given by the Company when the Company is insolvent or has no net assets or when its net assets would thereby be reduced to a material extent.

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

**Article 42** The following activities shall not be deemed to be activities as prohibited in Article 40 of this chapter:

- (1) the provision of financial assistance by the Company where the financial assistance is given in good faith in the interest of the Company, and the principal purpose in giving the financial assistance is not for the acquisition of shares, or the giving of the financial assistance is an incidental part of purpose master plan of the Company;
- (2) the lawful distribution of the Company's assets by way of dividend;
- (3) the allotment of bonus shares as dividends;
- (4) a reduction of registered capital, a repurchase of shares or a reorganization of the share capital structure of the Company effected in accordance with the Articles of Association;
- (5) the lending of money by the Company within its scope of business and in the ordinary course of its business (provided that the net assets of the Company are not thereby reduced or, to the extent that the assets are thereby reduced, the financial assistance is provided out of distributable profits of the Company);

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

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

**Article 43**        Share certificates of the Company shall be in registered form.

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

- (1) name of the Company;
- (2) date of incorporation of the Company;
- (3) class of shares, nominal value and number of shares represented;
- (4) serial number of the certificate;
- (5) other items to be contained as required by the Company Law, the Special Regulations and the stock exchange on which the shares of the Company are listed.

**Article 44**        The Company has a securities seal in Hong Kong for use for sealing certificates of its H Shares.

**Article 45** The share certificates shall be signed by the chairman of the board of directors. Where the stock exchange on which the shares of the Company are listed requires the share certificates to be signed by other senior management members, the share certificates shall also be signed by such senior management members. The share certificates shall be valid after being affixed or printed with the seal of the Company. The share certificates shall only be affixed with the Company's seal under the authorization of the board of directors. The signatures of the Chairman of the Company or other relevant senior management members on the share certificates may also be in printed form.

**Article 46** The Company shall maintain a register of shareholders, which shall contain the following particulars:

- (1) the name, address (residence), occupation or nature of each shareholder;
- (2) the class and number of shares held by each shareholder;
- (3) the amount paid-up or payable in respect of shares held by each shareholder;
- (4) the serial numbers of the shares held by each shareholder;
- (5) the date on which a person is registered as a shareholder;
- (6) the date on which a person ceases to be a shareholder.

The register of shareholders shall be the sufficient evidence for the shareholders' shareholding in the Company, except in cases with evidence to the contrary.

**Article 47** The Company may, in accordance with the mutual understanding and agreement between the securities regulatory authority of the State Council and overseas securities regulatory authorities, maintain its register of holders of overseas-listed foreign-invested shares overseas and appoint overseas agent(s) to manage such share register. The original register of holders of overseas-listed foreign-invested shares listed in Hong Kong shall be maintained in Hong Kong.

The Company shall maintain a duplicate of the register of holders of overseas-listed foreign-invested shares at the Company's corporate domicile; the appointed overseas agent(s) shall ensure the consistency between the original and the duplicate register of holders of overseas-listed foreign-invested shares at all times.

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

**Article 48** The Company shall maintain a complete register of shareholders.

The register of shareholders shall include the followings:

- (1) the register of shareholders maintained at the Company's corporate domicile (other than those parts as described in subparagraphs (2) and (3) of this Article);
- (2) the register of shareholders in respect of the holders of overseas-listed foreign-invested shares of the Company maintained at the place where the overseas stock exchange on which the shares are listed is located;
- (3) the register of shareholders maintained at such other place as the board of directors may consider necessary for the purpose of listing of the Company's shares.

**Article 49** Different parts of the register of shareholders shall not overlap one another. Any transfer of shares of the Company shall be registered in the relevant part of the register of shareholders. No transfer of the shares registered in any part of the register shall, during the existence of that registration, be registered in any other part of the register of shareholders.

All fully paid-up H shares are freely transferable pursuant to the Articles of Association. However, the board of directors may refuse to recognize any instrument of transfer without giving any reason unless such transfer fulfills the following conditions:

- (1) HK\$2.5 or such higher fees as agreed by Hong Kong Stock Exchange has been paid to the Company to register the instrument of transfer of shares and other documents relating to or which may affect the title to such shares;
- (2) the instrument of transfer involves the overseas listed foreign shares listed in Hong Kong only;
- (3) the stamp duty payable on the instrument of transfer has been paid;
- (4) the relevant share certificates and evidence reasonably required by the board of directors showing that the transferor has the right to transfer such shares are provided;
- (5) if the shares are to be transferred to joint holders, the number of such joint holders shall not exceed four;
- (6) the Company does not have any lien over the relevant shares.

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



**Article 50** Transfers may not be entered in the register of shareholders within thirty (30) days prior to the date of a general meeting or within five (5) days before the record date set by the Company for the purpose of distribution of dividends.

**Article 51** When the Company intends to convene a general meeting, distribute dividends, liquidate and engage in other activities that involve determination of shareholdings, the board of directors shall designate a day to be record day. Shareholders whose names appear in the register of shareholders at the end of the record date are shareholders of the Company.

**Article 52** Any person who objects to the register of shareholders and requests to have his name entered in or removed from the register of shareholders may apply to a court of competent jurisdiction for rectification of the register.

**Article 53** Any shareholder who is registered in, or any person requests to have his name entered in, the register of shareholders may, if his share certificates (the “Original Certificates”) are lost, apply to the Company for a replacement share certificate in respect of such shares (the “Relevant Shares”).

Application by a holder of domestic shares, who has lost his share certificate, for a replacement share certificate shall be dealt with in accordance with Article 143 of the Company Law.

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

Applications for re-issue of share certificates of H shareholders shall satisfy the following requirements:

- (1) The applicant shall submit an application to the Company in prescribed form accompanied by a notarial act or statutory declaration containing the grounds upon which the application is made and the circumstances and evidence of the loss of the share certificates as well as declaring that no other person shall be entitled to request to be registered as the shareholder in respect of the Relevant Shares.
- (2) no statement has been received by the Company from a person other than the applicant for having his name registered as a holder of the Relevant Shares before the Company came to a decision to issue the replacement certificates.
- (3) the Company shall, if it decides to issue a replacement certificate to the applicant, make an announcement of its intention to issue the replacement certificate in such newspapers designated by the board of directors; The announcement shall be made at least once every thirty (30) days in a period of ninety (90) days.
- (4) the Company shall have, prior to the publication of its announcement of intention to issue a replacement certificate, delivered to the stock exchange on which its shares are listed a copy of the announcement to be published. The Company may publish the announcement upon receiving a confirmation from such stock exchange that the announcement has been exhibited at the premises of the stock exchange. The announcement shall be exhibited at the premises of the stock exchange for a period of ninety (90) days. In case an application to issue a replacement certificate has been made without the consent of the registered holder of the Relevant Shares, the Company shall send by post to such registered shareholder a copy of the announcement to be published.

- (5) if, upon expiration of the 90-day period referred to in subparagraphs (3) and (4) of this Article, the Company has not received from any person any objection to such application, the Company may issue a replacement share certificate to the applicant according to his application.
- (6) where the Company issues a replacement certificate under this Article, it shall forthwith cancel the Original Certificate and enter the cancellation and re-issue in the register of shareholders accordingly.
- (7) all expenses relating to the cancellation of an Original Certificate and the issue of a replacement share certificate by the Company shall be borne by the applicant. The Company may refuse to take any action until a reasonable guarantee is provided by the applicant for such expenses.

**Article 54** Where the Company issues a replacement certificate pursuant to the Articles of Association, the name of a bona fide purchaser who obtains the aforementioned new share certificate or a shareholder who thereafter registers as the owner of such shares (in the case where he is a bona fide purchaser) shall not be removed from the register of shareholders.

**Article 55** The Company shall not be liable for any damages sustained by any person by reason of the cancellation of the Original Certificate or the issuance of the replacement certificate, unless the claimant proves that the Company has acted fraudulently.

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

**Article 56**     A shareholder is a person who lawfully holds shares in the Company and whose name is entered in the register of shareholders.

A shareholder shall enjoy rights and assume obligations according to the class and number of the shares held by him or her; and shareholders holding the same class of shares shall enjoy same rights and undertake same obligations.

**Article 57**     Holders of ordinary shares of the Company shall have the rights:

- (1) to claim dividends and distribution of profits in any other form in proportion to the number of shares held;
- (2) to petition according to laws, to convene, hold and attend or to appoint proxy to attend general meetings and to vote thereat;
- (3) to supervise and manage the business activities of the Company and to put forward proposals and raise inquiries;
- (4) to transfer, donate or pledge the shares held by them in accordance with laws, administrative regulations and the Articles of Association;
- (5) the right to obtain relevant information in accordance with the provisions of the Articles of Association, including:
  - i. to obtain a copy of the Articles of Association upon payment of the costs thereof;

- ii. subject to payment of reasonable charges, to inspect and make copy of;
  - (i) all parts of the register of shareholders;
  - (ii) personal particulars of the directors, supervisors, general managers and other senior management members of the Company, including:
    - (a) present and former forename and surnames and any aliases;
    - (b) principal address (domicile);
    - (c) nationality;
    - (d) occupation and all other part-time occupation and positions;
    - (e) identification documents and their number.
  - (iii) status of the share capital of the Company;
  - (iv) reports showing the total nominal value and number of shares repurchased by the Company since the end of the last financial year, the highest and the lowest prices paid and the aggregate amount paid by the Company in respect of repurchases;
  - (v) Minutes of general meetings, resolutions of the meetings of the board of directors and the supervisory committee, financial statements and bond counterfoil of the Company.
- (6) to participate in the distribution of the residual assets of the Company in proportion to the number of shares held in the event of termination or liquidation of the Company;
- (7) to request the Company to repurchase their shares by shareholders when they cast votes against the proposal for merger or division of the Company at the general meeting of the Company;
- (8) other rights conferred by laws, administrative regulations and the Articles of Association.

**Article 58** Where a shareholder requests to refer to the above-mentioned relevant information or demands information, the written documents stating the class and number of the shares of the Company in his possession shall be submitted to the Company. Upon the verification of the identity of the shareholder, the Company will provide to the shareholder as required.

**Article 59** If any resolution of a general meeting or board meeting of the Company runs against the laws and administrative regulations, shareholder(s) shall have the right to request the People's Court to invalidate the said resolution.

If the convening procedure and voting method of a general meeting or board meeting runs against the laws and administrative regulations or the Articles of Association or if the content of any resolution runs against the Articles of Association, the shareholder(s) shall have the right to request the People's Court to revoke the said procedure, method or resolution within sixty (60) days from the date of the resolution being passed.

**Article 60** Where any director or senior management member violates laws and administrative regulations or the Articles of Association in performing their duties to the Company, thereby causing losses to the Company, the shareholder(s) severally or jointly holding 1% or more shares of the Company for a period of 180 consecutive days or more may request the supervisory committee in writing to initiate a lawsuit in the People's Court. Where the Supervisory Committee violates laws and administrative regulations or the Articles of Association in performing its duties to the Company, thereby causing losses to the Company, the shareholder(s) may request the board of directors in writing to initiate a lawsuit in the People's Court.

If the supervisory committee or the board of directors refuses to lodge a lawsuit after receipt of the aforesaid written request, or if it fails to initiate a lawsuit within thirty (30) days after receipt of the said request, or if, an emergency occurs which would cause irretrievable damage to the interests of the Company a lawsuit is not lodged immediately, the aforementioned shareholder(s) prescribed in the preceding paragraph may lodge a lawsuit in the People's Court directly in their own name for the interest of the Company.

If any other person infringes upon the legitimate rights and interests of the Company, thereby causing losses to the Company, the shareholders prescribed in paragraph 1 of this Article may initiate a lawsuit in the People's Court pursuant to the preceding two paragraphs.

**Article 61** If any director or senior management member damages shareholders' interests by violating laws, administrative regulations or the Articles of Association, the shareholders may lodge a lawsuit in the People's Court.

**Article 62** Holders of ordinary shares of the Company shall assume the following obligations:

- (1) to abide by the Articles of Association;
- (2) to pay subscription monies according to the number of shares subscribed and the method of subscription;
- (3) not to divest the shares other than as provided by laws or regulations;

- (4) not to abuse their rights as shareholders to prejudice the interests of the Company or other shareholders; not to abuse the independent legal person status of the Company and the limited liabilities of shareholders to prejudice the interests of creditors of the Company;
- (5) other obligations as imposed by laws, administrative regulations and the Articles of Association.

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

**Article 63** Where any shareholder holding 5% or more of the voting shares of the Company pledges the shares in his possession, such shareholder shall submit a written report to the Company on the date on which the said pledge is executed.

**Article 64** The controlling shareholder and the de facto controller of the Company may not use their relationship to prejudice the Company's interests and shall be liable for damages to the Company caused by the violation of this provision.

The controlling shareholder and the de facto controller of the Company shall have the duty to act in good faith towards the Company and public shareholders of the Company. The controlling shareholder shall strictly exercise its rights as a contributor in accordance with the laws and shall not take advantage of connected transactions, profit distribution, asset restructuring, external investment, capital appropriation and loan guarantee to the detriment of the legal interests of the Company and public shareholders. Nor shall it take the advantage of its controlling position to the detriment of the Company and public shareholders.



**Article 65** The Company shall strictly comply with the decision making policy regarding connected transactions and follow the consideration and approval procedures of the board meetings and general meetings in respect of capital, products, services or other assets transactions between the Company and its controlling shareholder or de facto controller and related parties, so as to avoid misappropriation of assets of the Company by the controlling shareholder or de facto controller of the Company and related parties.

A system of “moratorium upon misappropriation” on shares held by substantial shareholders shall be set up, pursuant to which the Company shall apply for freezing the controlling shareholder’s stake in the Company by judicial order immediately upon discovery of any misappropriation by the controlling shareholder. If the controlling shareholder is unable to make full compensation in cash in respect of such misappropriation, the misappropriated asset shall be settled by realisation of shares held such substantial shareholders.

Directors, supervisors, and senior management members of the Company are obligated to safeguard the capital of the Company. The Chairman of the Company is in charge of “moratorium upon misappropriation” system with assistance from the secretary to the board of directors. Upon discovery of misappropriation of assets of the Company by controlling shareholder, de facto controller or their subsidiaries, the following procedures shall be initiated immediately:

- (1) When misappropriation of assets is discovered, head of the financial department shall report in writing to the person in charge of finance and send a copy of the report to the secretary to the board of directors. The report shall include, but not limited to, the name of the shareholder(s) and asset being misappropriated, location, duration, amount and repayment time limit of such assets. The person in charge of finance shall report to the Chairman immediately upon receipt of such report.

If any directors or senior management members of the Company are found to have assisted or connived with the controlling shareholder and its subsidiaries in misappropriating the Company's assets, the report shall include names of such directors and senior management members, and the details of how they assist or connive with the controlling shareholder and its subsidiaries in misappropriating the Company's assets etc.

- (2) Upon notification by the person in charge of finance, the Chairman shall convene a board meeting in time to consider the time limit for repayment by the controlling shareholder, penalty for directors and senior management members involved as well as application to relevant authorities for freezing shares held by the controlling shareholder and other relevant affairs. If directors, supervisors, and senior management members are found to have assisted or connived with the controlling shareholder and its subsidiaries in misappropriating the Company's assets, the board of directors shall, depending on the seriousness of the case, directly impose penalty on the person directly responsible, dismiss senior management members who bear serious responsibility and propose at general meeting to remove the directors who bear serious responsibility. If the abovementioned persons are suspected of committing an offence, such persons shall be transferred to the relevant judicial authority for investigation of criminal responsibility.
- (3) Secretary to the board of directors shall send a notice specifying the deadline for compensation to the controlling shareholder according to the resolution of the board of directors, supervise the implementation of penalties on the directors and senior management members involved, make an application to the relevant judicial authorities for freezing shares held by the controlling shareholder and make disclosure of information in respect thereof.

- (4) If the controlling shareholder is unable to make repayment within the prescribed period, the Company shall make application to the judicial authority within thirty (30) days after the expiration of such prescribed period for repayment by disposal of part of the frozen shares. Secretary to the board of directors shall make disclosure of information in respect thereof.

**Article 66** In addition to obligations imposed by laws, administrative regulations or required by the stock exchange on which shares of the Company are listed, a controlling shareholder (as defined in the following Article) shall not exercise his voting rights in respect of the following matters in a manner prejudicial to the interests of all or part of the shareholders of the Company:

- (1) to relieve a director or supervisor of his duty to act honestly in the best interests of the Company;
- (2) to approve the expropriation by a director or supervisor (for his own benefit or for the benefit of another person), in any guise, of the Company's assets, including (but not limited to) opportunities beneficial to the Company; or
- (3) to approve the expropriation by a director or supervisor (for his own benefit or for the benefit of another person), in any guise, of the other shareholder's individual interests, including (but not limited to) distribution rights and voting rights, except for the restructuring of the Company submitted to general meeting for approval according to the Articles of Association.

**Article 67** For the purpose of the preceding Article, a controlling shareholder means a person who satisfies any one of the following conditions:

- (1) a person who, when acting alone or in concert with others, has the power to elect half or more of the board of directors;
- (2) a person who, when acting on his own or in concert with other parties, can exercise or control the exercise of 30% or more of the voting rights of the Company;
- (3) a person who, when acting alone or in concert with others, holds 30% or more of the issued and outstanding shares of the Company;
- (4) a person who, when acting alone or in concert with others, has de facto control of the Company in other ways.

**Article 68** The Company shall set up a sound investor relations management system to proactively strengthen communications and exchange of views with shareholders, especially public shareholders, through various ways.

The secretary to the board of directors shall be responsible for the investor relations management system of the Company.

## **Chapter 8 Shareholders' General Meetings**

**Article 69** The shareholders' general meeting is the organ of authority of the Company and shall exercise its functions and powers in accordance with law.

**Article 70** The shareholders' general meetings exercise the following functions and powers:

- (1) to decide the Company's operational policies and investment plans;
- (2) to elect and replace directors and to decide on matters relating to their remunerations;
- (3) to elect and replace the supervisors who are representatives of shareholders and decide on matters relating to the remuneration of supervisors;
- (4) to consider and approve the reports of the board of directors;
- (5) to consider and approve the reports of the supervisory committee;
- (6) to consider and approve the Company's proposed annual preliminary and final financial budgets;
- (7) to consider and approve the Company's profit distribution plan and plan for recovery of losses;
- (8) to resolve on the increases or reductions in 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 any issue of bonds by the Company;
- (11) to resolve on the appointment, removal or ceasing of the re-appointment of the accounting firms;
- (12) to amend the Articles of Association;
- (13) to consider the motions put forward by shareholder(s) representing 3% or more of the Company's shares with voting rights;
- (14) to consider and approve the guarantees as provided in Article 71;

- (15) to consider the acquisitions or disposals of substantial assets of the Company within a year the amount of which exceeds 30% of the latest audited total assets of the Company;
- (16) to consider and approve the change in use of proceeds from fund raising;
- (17) to consider share incentive plans;
- (18) to decide on matters which the board of directors may be authorised or delegated to deal with;
- (19) to determine any other matters as required in accordance with the laws, administrative regulations and the Articles of Association.

**Article 71** The following external guarantees shall be subject to consideration and approval by shareholders at a general meeting.

- (1) any guarantee as provided after the total amount of external guarantees provided by the Company and its controlled subsidiaries exceed 50% of the latest audited net assets;
- (2) any guarantee provided after the total amount of external guarantees provided by the Company reaches or exceeds 30% of the latest audited total assets;
- (3) any guarantee provided in favour of a party with an asset to liability ratio exceeding 70%;
- (4) a single external guarantee the amount of which exceeds 10% of the latest audited total assets;
- (5) a guarantee provided in favour of shareholders, the de facto controller or its connected parties.

**Article 72** Without prior approval obtained in a shareholders' general meeting, the Company shall not enter into any contract with any party other than the directors, supervisors, general manager and other senior management members pursuant to which such parties shall be in charge of management of the whole or any substantial part of the Company's business.

**Article 73** A shareholders' general meeting shall either be an annual general meeting or an extraordinary general meeting. The shareholders' general meetings shall be convened by the board of directors. Annual general meetings shall be convened once a year within six (6) months after the end of the preceding accounting year.

The board of directors shall convene an extraordinary general meeting within two (2) months of the occurrence of any one of the following circumstances:

- (1) the number of directors is less than the quorum required by the Company Law or less than two-thirds of the number of directors specified in the Articles of Association;
- (2) when the accumulated losses of the Company amount to one third of the total amount of its share capital;
- (3) where any shareholders holding 10% or more of the Company's issued and outstanding shares carrying voting rights requests in writing for the convening of an extraordinary general meeting;
- (4) when deemed necessary by the board of directors or when proposed by the supervisory committee;
- (5) when proposed by two or more independent directors.

**Article 74** Independent shareholders are entitled to propose to the board of directors to convene an extraordinary general meeting. The board of directors shall, in accordance with the laws, administrative regulations and the Articles of Association, furnish a written reply stating its agreement or disagreement to the convening of an extraordinary general meeting within ten (10) days upon receipt of such proposal.

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

**Article 75** The supervisory committee shall be entitled to propose to the board of directors the convening of an extraordinary general meeting, provided that such proposal shall be made in writing. The board of directors shall, in accordance with the laws, administrative regulations and the Articles of Association, furnish a written reply stating its agreement or disagreement to the convening of an extraordinary general meeting within ten (10) days upon receipt of such proposal.

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

In the event that the board of directors does not agree to convene an extraordinary general meeting or does not furnish any reply within ten (10) days upon receipt of the said proposal, the board of directors shall be deemed as incapable of performing or failing to perform the duty of convening a general meeting, in which case the supervisory committee may convene and preside over the meeting on its own.



**Article 76** Shareholders individually or collectively holding 10% or more of the Company's shares shall be entitled to propose the board of directors the convening of an extraordinary general meeting, provided that such proposal shall be made in writing. The board of directors shall, in accordance with the laws, administrative regulations and the Articles of Association, furnish a written reply stating its agreement or disagreement to the convening of the extraordinary general meeting within ten (10) days upon receipt of such proposal.

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

In the event that the board of directors does not agree to convene an extraordinary general meeting or does not furnish any reply within ten (10) days upon receipt of the said proposal, shareholders individually or collectively holding 10% or more of the Company's shares shall be entitled to propose to the supervisory committee the convening of the extraordinary general meeting, provided that such proposal shall be made in writing.

In the event that the supervisory committee agrees to convene an extraordinary general meeting, the notice of the general meeting shall be issued within five (5) days after the said proposal. Any changes to the original proposal made in the notice shall require prior approval of the shareholders concerned.

Failure of the supervisory committee to issue the notice of the general meeting shall be deemed as failure of the supervisory committee to convene and preside over a general meeting, and shareholders individually or collectively holding 10% or more of the Company's shares for ninety (90) consecutive days or more may convene and preside over the meeting on their own.

**Article 77** Where the supervisory committee or shareholders decide(s) to convene an extraordinary general meeting by itself/themselves, it/they shall send out a written notice to the board of directors, and shall put on the records of the dispatched office of CSRC at the locality of the Company and the stock exchange.

The shareholding of the convening shareholder(s) shall not be lower than 10% prior to the announcement of the resolutions of the general meeting.

The convening shareholder(s) shall submit relevant evidence to the dispatched office of CSRC at the locality of the Company and the stock exchange upon the issuance of the notice of general meeting and the announcement of the resolutions of the general meeting.

**Article 78** The board of directors and the secretary to the board of directors shall cooperate with respect of general meetings convened by the supervisory committee or shareholders at its/their own discretion. The board of directors shall provide the register of shareholders as of the date of record date.

**Article 79** Expenses arising from general meetings convened by the supervisory committee or shareholders shall be born by the Company.

**Article 80** Vote by correspondence shall not be adopted at annual general meetings or extraordinary general meetings convened at the proposal of shareholders or the supervisory committee; and vote by correspondence shall not be adopted at extraordinary general meetings when the following matters are being considered:

- (1) increase or reduction of registered capital of the Company;
- (2) issue of corporate bonds;
- (3) division, merger, dissolution and liquidation of the Company;
- (4) amendment to the Articles of Association;
- (5) profit distribution plan and loss recovery plan;
- (6) appointment and dismissal of members of the board of directors and the supervisory committee;
- (7) change in the use of proceeds raised through share offering;
- (8) connected transactions which require the approval of the shareholders at general meetings;
- (9) acquisition or disposal of assets which requires the approval of the shareholders at general meetings;
- (10) change of audit firm;
- (11) other matters which shall not be voted by correspondence as stipulated in the Articles of Association.

**Article 81** A forty-five (45) days' written notice convening a general meeting shall be given to shareholders whose names appear on the register of shareholders, specifying the matters proposed to be considered and the date and place of the meeting. Shareholders who intend to attend the meeting shall serve the written reply slip to the Company twenty (20) days prior to the date of the meeting.

**Article 82** The board of directors, the supervisory committee and the shareholders individually or jointly holding 3% or more of the Company's shares have the right to propose new motions in writing to the Company, and the Company shall include such proposed motions into the agenda for such general meeting if they are matters falling within the functions and powers of general meetings.

**Article 83** When notice of a general meeting is dispatched, the general meeting shall not be postponed or cancelled without proper reasons and the motions stated in the notice shall not be cancelled. In the event that the general meeting was postponed or cancelled, the convener shall make an announcement at least two (2) business days prior to the original date of the general meeting and expatiate on the reasons. ”

**Article 84** The Company shall, based on the written replies received twenty (20) days before the date of the general meeting, calculate the number of voting shares represented by the shareholders who intend to attend the meeting. If the number of shares with voting rights represented by the shareholders who intend to attend the meeting reaches one half or more of the Company's total voting shares, the Company may hold the meeting; otherwise, the Company shall within five (5) days notify the shareholders again, by way of public announcement, of the matters to be considered at, and the place and date of, the meeting before it proceeds to hold the general meeting.

No decision shall be made on matters not stated in the notice at an extraordinary general meeting.

**Article 85** Notice of a general meeting shall:

- (1) be made in writing;
- (2) specify the place, date and time of the meeting;
- (3) set out the matters to be considered at the meeting;
- (4) provide shareholders with such information and explanation as necessary for them to make informed decisions on the matters to be considered. This principle includes (but not limited to) where a proposal is made to merge the Company with another, to repurchase shares, to restructure the share capital, or to reorganise the Company in any other way, the terms of the proposed transaction must be provided in detail together with copies of the proposed agreement, if any, and the cause and effect of such proposal shall be properly explained;
- (5) disclose the nature and degree of the material interests of any director, supervisor, general manager and other senior management members in the matters to be considered. In case that the impact of the matters to be considered on such director, supervisor, general manager and other senior management members as a shareholder is different from that on other holders of a class of shares, the difference shall be specified;
- (6) set out the full text of any special resolution proposed to be passed at the meeting;
- (7) contain a prominent written statement that shareholders eligible for attending and voting are entitled to appoint one or more proxies to attend and vote on his behalf and that a proxy need not be a shareholder;
- (8) specify the time and place for lodging proxy forms for the meeting.

**Article 86** Notice of a general meeting shall be served on the shareholders (whether or not entitled to vote at the meeting), by personal delivery or by prepaid mail, the address of the recipient shall be the registered address as shown in the register of shareholders. For holders of domestic shares, notice of a general meeting may be given by way of announcement.

The announcement referred to in the preceding paragraph shall be published in one or more newspapers designated by the securities authority of the State Council within forty-five (45) to fifty (50) days before the date of holding the meeting. Once the announcement is made, the holders of domestic shares shall be deemed to have received the notice of relevant general meeting.

**Article 87** The accidental omission to give notice of a meeting to, or the non-receipt of notice of a meeting by, any person entitled to receive such notice shall not invalidate the meeting and the resolutions passed at the meeting.

**Article 88** The Company shall convene shareholders' general meeting at its principal office.

A conference hall will be set up for the convening of an on-site shareholders' general meeting. The Company shall, through various ways and means including the use of modern information technology, preferentially providing Internet (as the primary media) or other means of voting platform, provide convenience to shareholders attending the shareholders' general meeting, provided that the legality and validity of such meeting shall be ensured. Shareholders who attend the shareholders' general meeting through the Internet or other means mentioned above are deemed to be present, and the Company shall confirm the legal capacity of shareholders in accordance with the register of shareholders provided by securities registration and clearing institution.

In the event that the general meeting adopts internet transmission or other means, the time and procedures for voting via the internet or by other means shall be specifically stated in the notice of the general meeting. The beginning time for voting via internet or other means for the general meeting shall not be earlier than 3:00 p.m. of the day prior to the holding of the general meeting, and shall not be later than 9:30 a.m. of the day when the physical general meeting is convened and its closing time shall not be earlier than 3:00 p.m. of the day when the physical general meeting is closed.

**Article 89** Any shareholder who is entitled to attend and vote at a general meeting shall be entitled to appoint one or more persons (whether a shareholder or not) as his proxy to attend and vote on his behalf. A proxy so appointed shall exercise the following rights pursuant to such authorization:

- (1) exercise such shareholder's right to speak at the meeting;
- (2) the right to demand or join in demand for a poll;
- (3) the right to vote by hand or on a poll, provided that when a shareholder has appointed more than one proxy, such proxies may only vote on a poll.

A shareholder who is minor, ward or bankrupt shall not attend in person the general meeting. His/her legal representative or bankruptcy trustee shall attend on his/her behalf.

**Article 90** The instrument appointing a proxy shall be in writing under the hand of the principal or his attorney duly authorized in writing; or if the appointer is a legal entity, either under seal or under the hand of a director or attorney duly authorized. Such proxy form shall contain the number of shares of the principal represented by proxy.

**Article 91** The proxy form shall be deposited at the corporate domicile of the Company or such other place specified in the notice of the meeting not less than 24 hours prior to the time appointed for the holding of the meeting or 24 hours prior to the time appointed for voting. Where the proxy form is signed by a person authorised by the appointer, the power of attorney or other authorisation instruments shall be notarised. The notarised power of attorney and other authorisation instruments, together with the proxy form, shall be lodged at the corporate domicile of the Company or such other place as specified in the notice of the meeting.

In the case of a corporate shareholder, the proxy shall be authorised by the legal representative, the board of directors or other persons authorised by the resolution of the decision-making body of that corporation to attend the Company's general meeting.

**Article 92** Any form issued to a shareholder by the board of directors for use by him for appointing a proxy to attend and vote at a meeting of the Company shall be such as to enable the shareholder, according to his intention, to instruct the proxy to vote in favour of, against or abstain from voting in each resolution dealing with business to be transacted at the meeting. Such a form shall contain a statement that, in absence of instructions, the proxy may vote as he thinks fit.

**Article 93** A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous death or loss of capacity of the principal or revocation of the proxy or of the authority under which the proxy was executed, or the transfer of the shares in respect of which the proxy is given, provided that no notice in writing of such death, incapability, revocation or transfer as aforesaid shall have been received by the Company at its residence before the commencement of the meeting at which the proxy is used.



**Article 94** A proxy shall produce his identity card, and the power of attorney signed by the principal or legal representative of the principal (on which the date of issuance is provided) when attending a meeting on behalf of a shareholder.

**Article 95** A resolution of a general meeting shall either be an ordinary resolution or a special resolution.

Ordinary resolutions put forward in the general meeting shall be adopted by a simple majority of shareholders (including their proxies) with voting rights attending the meeting.

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

**Article 96** Shareholders (including proxies) exercise their voting rights in proportion to their shareholdings with voting rights, and each share entitles the shareholder one vote.

In the event that the consideration of material events at the shareholders' general meeting affects the interests of medium and small investors, the voting by such medium and small investors shall be counted separately and such results shall be publicly disclosed in a timely manner.

The shares held by the Company carry no voting rights and shall not be counted into the total number of shares with voting rights held by shareholders attending the meeting.

The board of directors, independent directors and shareholders who meet the relevant conditions may publicly solicit voting rights from other shareholders. Sufficient disclosure on information such as specific voting preferences shall be made to the shareholders from whom voting rights are being solicited. Consideration or other forms of de facto consideration for the solicitation of voting rights from shareholders shall be prohibited. The Company shall not set a minimum shareholding limit on the solicitation of voting rights.

**Article 97** When the Company convenes a general meeting, all directors, supervisors and the secretary to the board of directors shall attend the meeting while general managers and other senior management members shall attend the meeting as non-voting attendees.

**Article 98** At a general meeting, a resolution shall be decided on a show of hands unless a poll is demanded before or after a vote is carried out by a show of hands:

- (1) by the chairman of the meeting;
- (2) by at least two shareholders present in person or by proxy for the time being entitled to vote at the meeting;
- (3) by one or more shareholders present in person or by proxy separately or jointly representing 10% or more of all shares carrying the right to vote at the meeting.

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

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

**Article 99** A poll demanded on the election of the chairman of the meeting, or

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

**Article 100** 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 (vote in favour of, against or abstain from voting).

**Article 101** When the votes for and against a resolution are equal in number, whether voting by a show of hands or a poll, the chairman of the meeting shall be entitled to an additional vote.

**Article 102** Any shareholder or proxy present at the meeting shall propose one of the following opinions for each resolution: in favour of, against or abstain. Any abstain vote or waiver to vote or unfilled vote or vote filled wrongly or with unrecognizable writing shall be disregarded as voting rights for the purpose of calculating the result of that resolution.

**Article 103** The list of candidates for directors and supervisors shall be submitted by way of a motion to the general meeting for voting.

In the course of the election of directors and supervisors, the accumulative voting mechanism may be implemented in accordance with the Articles of Association or the resolution of the general meeting.

Under the accumulative voting mechanism referred to in the preceding paragraph, each share carrying voting right is entitled to such number of votes equivalent to the number of director and supervisor candidates, and a shareholder may concentrate his voting rights. The board of directors shall make an announcement to the shareholders concerning the biographies and general information of the candidates for directors and supervisors.

**Article 104** Save and except for the cumulative voting system, all resolutions shall be voted item by item at a general meeting, and shall be voted in chronological order according to the time of proposal when various proposals are put forward concerning the same issue. Except under special circumstances such as force majeure which lead to the suspension or inability to pass resolutions at a general meeting, proposals shall not be set aside or rejected from voting at a general meeting.

**Article 105** No amendment shall be made on the proposals during the consideration at a general meeting. Any such amendments to a proposal shall be deemed as a new proposal and shall not be voted at the current general meeting.

**Article 106** The same voting right shall only be exercised by one means, either through onsite voting or via internet or other voting means. If the same voting right is exercised by more than one means, the result of the first vote cast shall prevail.

**Article 107** Two Shareholders' representatives shall be elected to participate in counting and scrutinizing ballots before a general meeting puts a proposal to vote. Where a shareholder has a connected relationship to matters to be considered, relevant shareholders and their proxies must not participate in counting and scrutinizing ballots.

When a proposal is voted upon at a general meeting, lawyers, shareholders' representatives and supervisors shall be responsible for counting and scrutinizing ballots and announce the voting results on the spot, which will be recorded in the minutes of the meeting.

The Company's shareholders or their proxies who cast their votes via internet or other means are entitled to check their own voting results through the relevant voting system.

**Article 108** The conclusion time of a general meeting held on site shall not be earlier than that held via internet or in other means. Chairman of the meeting shall declare the voting results of each proposal on site and announce whether the proposal is passed according to the voting results.

Before the formal announcement of the voting results, the companies, tellers, scrutineers, substantial shareholders, network service provider and other relevant parties involved in the on-the-spot voting, online voting and other means of voting shall be under confidentiality obligation in relation to the voting.

**Article 109** If a motion is not passed, or if a resolution of the previous general meeting is changed by the current general meeting, special notes in connection therewith should be made in the announcement of the resolutions of the general meeting.

**Article 110** For proposals in relation to election of directors or supervisors passed at a general meeting, the term of office of new directors or supervisors shall take effect from the approval of the resolution at the general meeting.

**Article 111** Should a general meeting pass motions regarding cash distribution, bonus issue or transfer of surplus reserve into share capital, the relevant proposals shall be implemented within two (2) months after the close of the general meeting.

**Article 112** The following matters shall be resolved by ordinary resolution at a general meeting:

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

**Article 113** The following matters shall be resolved by special resolution at a general meeting:

- (1) increase or reduction of the share capital and issue of shares of any class, warrants or other similar securities;
- (2) issue of corporate bonds;
- (3) division, merger, dissolution and liquidation of the Company;
- (4) amendment to the Articles of Association;
- (5) purchase or disposal of material assets or provision of guarantee within one year, the amount of which exceeds 30% of the latest audited total assets of the Company;
- (6) share incentive scheme;
- (7) adjustment to the profit distribution policy;

- (8) any other matters required by the laws, administrative regulations and the Articles of Association and considered by a general meeting, by way of ordinary resolution, to have a substantial impact on the Company and require approval by special resolution.

**Article 114** For connected transactions to be considered at a general meeting, connected shareholders shall abstain from voting on such connected transactions, and the number of shares carrying voting rights they represent shall not be counted into the valid voting results. The announcement of resolutions passed at the general meeting shall fully disclose the voting of non-connected shareholders on the transactions.

**Article 115** The implementation or application of the following matters are subject to and conditional upon approval at a general meeting and shall be passed by half or more of the voting rights held by public shareholders who participate in the poll:

- (1) any issue of new shares to the public (including issue of overseas-listed foreign-invested shares or warrants for shares of other nature), issue of convertible corporate bonds, and share placement to existing shareholders (save for the shares which controlling shareholder undertakes to fully subscribe in cash prior to the convening of general meeting);
- (2) any material asset restructuring under which the total consideration for acquired assets exceeds 20% or more of the audited book value of the acquired assets;
- (3) any repayment of debts due to the Company from a shareholder by way of its equity interests in the Company;
- (4) any proposed overseas listing of a subsidiary of material importance to the Company;
- (5) any matter with material impact on interests of public shareholders in the course of the Company operations.

For the purpose of considering the abovementioned matters at a general meeting, the Company shall provide shareholders with access to voting by internet.

For the purpose of considering the matters set out in the subparagraph (1) of this Article, the Company shall, after publishing the notice of general meeting, publish the notice of general meeting again by way of announcement within three (3) days following the date of record of the shareholders.

**Article 116** In the event that any resolution passed at a general meeting is in breach of the PRC laws or administrative regulations, or violates the lawful rights and interests of shareholders, the shareholders shall be entitled to lodge an action to the People's Court to abort such breach and violation .

**Article 117** Shareholders requisitioning the convening of an extraordinary general meeting or a class meeting shall abide by the following procedures:

- (1) Two or more shareholders jointly holding 10 per cent or more of the shares carrying the right to vote at the meeting sought to be held may request the board of directors to convene an extraordinary general meeting or a class meeting by signing and submitting one or more counterpart request(s), in the same form and content, in which the matters for consideration at the meeting shall be set out clearly. The board of directors shall, as soon as possible, convene an extraordinary general meeting or a class meeting after receiving the said request. The amount of shareholdings referred to above shall be calculated as at the date of the request.



- (2) If the board of directors fails to issue notice convening such a meeting within thirty (30) days from the date of the receipt of the said written request(s), the shareholders making such request(s) may themselves convene such a meeting within four (4) months from the date of receipt of the request by the board of directors, and the procedures for convening such meeting shall follow the procedures of the shareholders' general meeting convened by the Board as much as possible.

Any reasonable expenses incurred by the shareholders in convening and holding such meeting due to the failure of the board of directors to convene such meeting in response to the aforesaid request(s) shall be borne by the Company. Such expenses shall be deducted from the amounts owed by the Company to the directors in default.

**Article 118** A general meeting shall be convened and chaired by the chairman of the Company. If the chairman is unable to attend the meeting for any reason, the vice-chairman shall convene and take the chair of the meeting. If the vice-chairman cannot or does not discharge his/her duties, the general meeting shall be chaired by a director proposed by a majority of the directors. If no chairman is appointed for any reason, the shareholders present at the meeting can elect a person as chairman. If the shareholders shall fail to elect a chairman for any reason, the shareholder (including a proxy) holding the largest number of shares carrying the right to vote thereat shall be the chairman of the meeting.

A general meeting convened by the supervisory committee shall be presided over by the chairman of the supervisory committee. If the chairman of the supervisory committee is unable to, or fails to perform his/her duties, the vice-chairman of the supervisory committee shall preside over the meeting. If the vice-chairman is unable to, or fails to perform his/her duties, a supervisor elected by half or more of the supervisors shall preside over the meeting.

A general meeting convened by the shareholders shall be chaired by a representative proposed by the convener(s).

When a general meeting is held and the chairman of the meeting violates the rules of procedure which makes it difficult for the general meeting to continue, subject to the approval of more than half of the shareholders having the voting rights who are present at the meeting, a person may be elected at the general meeting to act as the chairman of the meeting.

**Article 119** At a general meeting, the chairman of the meeting shall be responsible for determining whether a resolution is passed. His decision, which is final and conclusive shall be announced at the meeting and recorded in the meeting minutes.

**Article 120** If the chairman of the meeting has any doubt as to the result of a resolution put to the vote of the meeting, he may have the votes counted. If the chairman of the meeting fails to have the votes counted, any shareholder who is present in person or by proxy and who objects to the result announced by the chairman of the meeting may demand that the votes be counted immediately after the declaration of the result, and the chairman of the meeting shall have the votes counted immediately.

**Article 121** If the votes are counted at the general meeting, the counting results shall be recorded into the minutes of the meeting.

Minutes shall be prepared for the shareholders' general meeting. The Directors who have attended such meeting, secretary to the board of directors, convenor or its representative, and the chairman of the meeting shall sign on the minutes and ensure that the details thereof are true, accurate and complete.

Resolutions passed at a general meeting shall be incorporated into the meeting summary. The meeting minutes and meeting summary shall be made in Chinese. The meeting minutes together with other valid materials such as the signature book of shareholders present and proxy forms, and the results of online voting and voting through other means shall be kept at the corporate domicile of the Company. The minutes shall be kept for a period of ten (10) years.

**Article 122** The Company shall engage lawyers to attend the general meeting and advise on the following issues with announcements made thereon:

- (1) whether or not the convening of the general meeting and its procedures are in compliance with the laws, administrative regulations and the Articles of Association;
- (2) whether of or not the qualifications of attendees and the convenor are lawful and valid;
- (3) whether or not the voting procedures and the voting results of the meeting are lawful and valid;
- (4) legal opinions on other matters as requested by the Company.

**Article 123** Copies of the minutes of any general meeting shall, during business hours of the Company, be available for inspection by any shareholder without charge. If a shareholder demands from the Company a copy of such minutes, the Company shall send a copy to him within seven (7) days following the receipt of reasonable charges.

## **Chapter 9 Special Procedures for Voting by Class Shareholders**

**Article 124** Shareholders holding different classes of shares are referred to as holders of class shares.

A holder of class shares shall enjoy rights and assume obligations in accordance with laws, administrative regulations and the Articles of Association.

**Article 125** Rights conferred on class shareholders may not be varied or abrogated unless approved by way of special resolution at a general meeting and by the affected class shareholders at a separate class meeting convened in accordance with Articles 127 to 131.

**Article 126** The following circumstances shall be deemed to be a variation or abrogation of the rights of holders of certain class shares:

- (1) to increase or decrease the number of shares of that class, or to increase or decrease the number of shares of a class having voting rights, distribution rights or other privileges equal or superior to those of shares of such class;
- (2) to convert all or part of a class of shares into another class, or to convert all or part of another class of shares into that class of shares, or to grant such conversion right;
- (3) to abrogate or reduce the rights in respect of accrued dividends or the cumulative dividends attached to shares of such class;
- (4) to reduce or remove a dividend preference or a liquidation preference attached to shares of such class;
- (5) to increase, remove or reduce conversion, options, voting, transfer or pre-emptive rights or rights to acquire securities of the Company attached to shares of such class;
- (6) to remove or reduce rights to receive payables from the Company in a particular currency attached to shares of such class;

- (7) to create a new class of shares with voting rights, distribution rights or other privileges equal or superior to those of the shares of such class;
- (8) to restrict the transfer or ownership of shares of such class or impose additional restrictions thereto;
- (9) to grant the right to subscribe for, or convert into, shares of such or another class;
- (10) to increase the rights or privileges of shares of another class;
- (11) to restructure the Company where the proposed restructuring scheme will result in holders of different classes of shares bearing a disproportionate burden of obligations of such restructuring; and
- (12) to vary or abrogate the provisions of this Chapter.

**Article 127** Shareholders of the affected class, whether or not otherwise entitled to vote at the general meetings, shall nevertheless be entitled to vote at class meetings in respect of matters concerning subparagraphs (2) to (8), and (11) to (12) of Article 126, but interested shareholder(s) shall not be entitled to vote at class meetings.

For the purpose of the preceding paragraph, an "interested shareholder" is:

- (1) in the case of a repurchase of shares by pro rata offers to all shareholders or through public dealing on a stock exchange under Article 35 of the Articles of Association, a "controlling shareholder" within the meaning of Article 67 of the Articles of Association;
- (2) in the case of a repurchase of the Company's shares by an off-market agreement under Article 35 of the Articles of Association, a shareholder who is related to the agreement; or
- (3) in the case of a restructuring of the Company, a shareholder within a class who bears less than a proportionate burden imposed on other shareholders of that class or who has interests different from those of other shareholders of that class.

**Article 128** Resolutions of a class meeting shall be passed by shareholders present at the meeting representing two thirds or more of the voting rights according to the Article 127.

**Article 129** A forty-five (45) days' written notice convening a class meeting shall be given to shareholders whose names appear on the register of shareholders of such class, specifying the matters proposed to be considered and the date and place of the meeting. Shareholders who intend to attend the meeting shall serve the written reply slip to the Company twenty (20) days prior to the date of the meeting.

If the number of shares carrying rights to vote at the meeting represented by the shareholders intending to attend the meeting reaches half or more of the total number of shares of such class carrying rights to vote at the meeting, the Company may hold the class meeting; otherwise, the Company shall within five (5) days notify the shareholders again, by way of announcement, of the matters to be considered at, and the place and date of, the meeting before it proceeds to hold the class meeting.

**Article 130** Notice of a class meeting needs only be served on shareholders entitled to vote thereat.

The procedures for holding a class meeting shall, as far as possible, be similar to those for holding a general meeting. The provisions of the Articles of Associations which relate to the convening of general meetings shall apply to class meetings.

**Article 131** Apart from other class shareholders, holders of domestic-invested shares and overseas-listed foreign-invested shares shall be deemed to be shareholders of different classes.

The special voting procedures for class meetings do not apply to the following circumstances:

- (1) where the Company issues, upon approval by a special resolution of its shareholders in a general meeting, either separately or concurrently once every twelve (12) months, not more than 20% of each of the existing issued domestic-invested shares and overseas-listed foreign-invested shares of the Company; or
- (2) where the Company's plan to issue domestic-invested shares and overseas-listed foreign-invested shares at the time of its establishment is implemented within fifteen (15) months from the date of approval by the securities regulatory authority of the State Council.

## **Chapter 10 Board of Directors**

**Article 132** The Company shall have a board of directors which shall consist of nine (9) directors, including one chairman and one to two vice chairmen.

The board of directors includes at least three (3) independent directors, representing one-third or more of the board of directors, including at least one (1) accounting professional (with senior title or qualifications as a public certified accountant). An independent director shall perform his duties independently and not be affected by the Company's substantial shareholders, de facto controller or any entities or individuals that is interested in the Company or its substantial shareholders or de facto controller. An independent director shall perform his duties to protect the Company's interests, especially the lawful interests of public shareholders, from damage.

The board of directors shall appoint one or more directors to serve as executive director(s) to deal with matters as authorised by the board of directors.

**Article 133** Directors shall be elected at shareholders' general meetings to hold office for a term of three (3) years. A director may be re-elected and re-appointed upon the expiry of his term of office, provided that an independent director shall not hold office for a consecutive period of more than six (6) years. Independent directors shall be elected from candidates nominated by the board of directors, the supervisory committee or one or more shareholders representing 1% or more of issued shares of the Company. Other directors shall be elected from candidates nominated by the board of directors or one or more shareholders representing 3% or more of issued shares of the Company.

A written notice of the intention to nominate a person for election as a director and a notice in writing by that person indicating his acceptance of such nomination shall be lodged with the Company no later than seven (7) days before the holding of the general meeting.

The term of office of directors commences from the date of appointment up to the expiry of the term of office of the board of directors. In the event that the terms of directors fall upon expiry whereas new members of the board of directors are not elected in time, the existing directors shall continue to perform their duties in accordance with laws, administrative regulations and departmental rules and the Articles of Association until the elected new directors take office.

Prior to the expiry of his term, a director shall not be removed from his office by the general meeting without proper reason. Subject to compliance with the relevant laws and administrative regulations, the general meeting may, by ordinary resolution, remove any director before the expiration of his term of office (but without prejudice to such director's right to claim compensation based on any contract).



A Director may resign before expiration of his term of office. Directors shall submit to the board of directors written report in relation to their resignation, and independent directors shall state any situation relating to their resignation or which they consider to be necessary to draw to the attention of the shareholders and creditors of the Company. The number of directors is less than the quorum as required by the Company Law or two-thirds of the number of directors specified in the Articles of Association or the number of independent directors falls less than the requirement of these Articles of Association due to resignation of the director, the resignation report of the said director shall not become effective until the vacancy resulting from his/her resignation is filled up by succeeding director(s). Independent directors may cease to perform their duties if a general meeting is not held for election of new directors within the two (2) months' period after their resign.

Other than the circumstances referred to in the preceding paragraph, the resignation of a director become effective upon the serving of his/her resignation report to the board of directors.

The Chairman and vice-chairman shall be elected and removed by more than one half of the directors. The term of office of the Chairman and vice-chairman is three (3) years, renewable upon re-election. Directors may hold a concurrent post as other senior management members of the Company. However, the total number of directors who are serving concurrently as general managers or other senior management members cannot exceed half of the total number of the Company's directors.

Directors need not be shareholders of the Company.

**Article 134** The board of directors shall be accountable to the shareholders' general meetings and exercise the following functions:

- (1) to convene shareholders' general meetings and report its work to the shareholders' general meetings;
- (2) to implement resolutions of shareholders' general meetings;
- (3) to decide on the Company's business and investment plans;
- (4) to formulate the Company's annual financial budget and final accounts;
- (5) to formulate the Company's profits distribution plans (including programs other than distribution of year-end dividend) and loss recovery plans;
- (6) to formulate plans for increase or reduction of the Company's registered capital and issue of corporate bonds;
- (7) to draw up plans for the merger, division or dissolution of the Company;
- (8) to decide on the establishment of the Company's internal management departments;
- (9) to determine the legal representative of the Company;
- (10) to specify the products as stated in the authorized business scope of the Company in accordance with operating requirements;
- (11) to hire or dismiss the Company's general manager and secretary to the board of directors, in accordance with the recommendation of the general manager, to hire or dismiss assistant general managers, chief accountant and other senior management and fixing their remuneration;
- (12) to formulate the Company's basic management system;
- (13) to prepare proposals for any amendments to the Articles of Association;
- (14) to make decisions on issues such as external investment, acquisition and sale of assets, pledge of assets, provision of external guarantee, trustee investment, and connected transactions, except for those to be resolved at general meetings;
- (15) to take up any other duties as stipulated in the Articles of Association or authorized by general meetings.

All of the above matters, excluding those under subparagraphs (6), (7), (13) and (14) which require the approval of two-thirds of the votes at board meetings, require the approval of the majority votes at board meetings.

**Article 135** Prior to making decisions on material issues of the Company, the board of directors shall first seek advice from the Party Committee of the Company.

**Article 136** The board of directors shall explain to the general meeting any non-standard auditors' opinions issued by the certified public accountants regarding the financial statements of the Company.

**Article 137** The board of directors shall formulate the rules of procedure for board meetings to ensure the implementation of the resolutions of general meetings by the board, to enhance work efficiency and secure scientific decision making.

**Article 138** Independent directors shall attend board meetings on time, and shall understand the production and operation of the Company and conduct active investigation to obtain the particulars and information required for decision making. Independent directors shall submit an annual work report of all independent directors to each annual general meeting of the Company, stating their performance of duties.

**Article 139** The Company shall establish a work system for independent directors. The secretary to the board of directors shall assist and cooperate with independent directors in their discharge of duties. The Company shall undertake that independent directors will enjoy the same right to information as other directors, will be provided with relevant and timely materials and information and will be reported on the operation of the Company regularly and that site visits will be organised for independent directors as necessary.

**Article 140** Independent directors shall be vested with the following special powers in addition to the powers vested by the Company Law and other relevant laws, administrative regulations and the Articles of Association:

- (1) major connected transactions (as defined by the effective rules issued by the stock exchange where the Company's shares are listed from time to time) which are subject to the consideration of board meetings or general meetings, shall, after approval by independent directors, be submitted to the board of directors for discussion; and resolutions on such connected transactions made by the board of directors shall not become effective without signature of independent directors. Prior to their judgement, independent directors may appoint the intermediary institutions to issue report of an independent financial adviser as the basis for their judgment;
- (2) to propose to the board of directors for the appointment or dismissal of auditors;
- (3) to propose to the board of directors to convene an extraordinary general meeting;
- (4) to propose the convening of a board meeting;
- (5) to engage external auditors and consultants on their own;
- (6) to publicly solicit the rights to vote from the shareholders prior to the holding of a general meeting.

Independent directors' exercise of duties as stated in sub-paragraphs (1) and (2) is subject to prior consent by half or more of the independent directors before submission to the board of directors for discussion; exercise of duties as stated in subparagraphs (3), (4) and (6) is subject to consent by half or more of the independent directors; and exercise of duties as stated in subparagraph (5) is subject to consent by all independent directors. The relevant expenditures in exercising the above duties by the independent directors shall be borne by the Company. In the event that the above proposals have not been accepted or above powers can not be exercised in a normal manner, the Company shall disclose relevant circumstance.

If there are remuneration committee, audit committee and nominating committee under the board of directors, independent directors shall represent one half or more in such committees.

**Article 141** In addition to the duties set out in the preceding Article, independent directors are also responsible for providing their independent opinions to the board of directors or general meetings on the matters below:

- (1) nomination, appointment and dismissal of directors;
- (2) appointment or dismissal of senior management ;
- (3) remuneration of directors and senior management;
- (4) borrowings or other fund transfers, existing or newly occurred, between the Company and the shareholders, de facto controller of the Company and their related enterprises involving the amounts subject to the consideration of board meetings or general meetings according to the effective rules issued by the stock exchange where the Company's shares are listed from time to time, and whether the Company has adopted any effective measures to recover the arrears;
- (5) matters deemed by the independent directors as possibly infringing the interests of small and medium shareholders.

The categories of opinions to be duly made by the independent directors in respect of the abovementioned matters:

- (i) consent;
- (ii) qualified opinion and the reasons hereto;
- (iii) dissenting opinion and the reasons hereto;
- (iv) unable to present opinions and the obstacles hereto.

In case that relevant matters are discloseable, the Company shall make announcement of the opinion of the independent directors. Should no consensus be reached by the independent directors, the Company shall disclose the opinions of each independent director respectively.

**Article 142** In case that the board of directors proposes to dispose of fixed assets, the expected value of which, when aggregated with the fixed assets disposed of within four (4) month before the proposed disposal exceeds 33% of fixed assets value set out in the latest balance sheet considered by the general meetings, the board of directors shall not dispose or consent to dispose such fixed assets without approval of the general meeting.

The term of "disposal of fixed assets" referred to in this Article represents (among other things) transferring interests in certain assets, but does not include provision of guarantees with the fixed assets.

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

**Article 143** The Chairman of the board of directors shall exercise the following functions and powers:

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

The vice-chairman shall assist the chairman in performing his duties. If the chairman is unable or fails to perform his duties, such duties shall be performed by the vice-chairman. If the vice-chairman is unable or fails to perform his duties, a director shall be elected jointly by half or more of the directors to perform such duties.

**Article 144** The board of directors shall hold at least two (2) meetings every year, which shall be convened by the chairman. Notice of the meeting shall be served on all of the directors ten (10) days before the date of the meeting. When proposed by shareholders representing one-tenth or more of the voting rights or by one-third or more of directors or by the supervisory committee, an extraordinary board meeting may be held. The board meeting shall be convened and presided over by the Chairman within ten (10) days upon receipt of the proposal.

**Article 145** In principle, meetings of the board of directors shall be held at the place where the Company is located. However, it can be held at any other places within the PRC as approved by a resolution of the board of directors.

**Article 146** Expenses incurred by directors in attending board meetings shall be borne by the Company. Such expenses may include costs for transportation to the venue of the meeting (if other than the residence location of directors) and accommodation expenses during the meeting sessions. Rental for meeting venue and miscellaneous such

as local transportation expenses shall also be borne by the Company.

**Article 147** Chinese is the working language for the board meetings, and an interpreter may be arranged to offer simultaneous interpretation if necessary.

**Article 148** The notification of a board meeting shall be conducted in the following ways:

- (1) if the time and place of regular board meetings are stipulated by the board of directors in advance, such meetings can be convened without giving notice;
- (2) if the time and place of a board meeting are not stipulated by the board of directors in advance, the Chairman shall notify the directors of the time and place of the meeting via telex, telegraph, facsimile, express mail, registered mail or by hand ten (10) to thirty (30) days prior to the date of the meeting;
- (3) the notice shall be written in Chinese, and when necessary, an English copy may be attached, and shall include meeting agenda. Any director may waive his right to be served with notice of board meetings.

**Article 149** Should a director attend a meeting, and does not raise a contention regarding non-receipt of notice of the meeting prior to or at the meeting, such notice shall be deemed as served to him.

As long as the participating directors can hear clearly what the other directors are saying and are involved in communicative exchange with each other, a regular meeting or extraordinary meeting of the board of directors may be held by teleconference or by way of similar telecommunication devices, and all participating directors shall be deemed as attending the meeting in person.



**Article 150** A board meeting shall be held with the presence of half or more of all directors (including the director who is appointed to vote as a proxy on behalf of any other director pursuant to Article 143 of these Articles of Association ). Each director has one vote. A resolution of the board of directors shall be adopted by more than one-half of all directors, unless otherwise stipulated in laws and the Articles of Association. When the votes for and against a resolution are equal in number, the Chairman shall be entitled to an additional vote.

**Article 151** If any director is associated with the enterprises that are involved in the matters to be resolved at a board meeting, he shall not exercise his voting rights for such matters, nor shall such director exercise voting rights on behalf of any other director. Such board meeting shall be convened with attendance of more than half of non-connected directors, and resolutions of the meeting shall be adopted by more than one-half of non-connected directors. In the event that the number of non-connected directors attending the board meeting is less than three, such matter shall be submitted to the general meeting for consideration.

**Article 152** A director shall attend board meetings in person, or, if unable to attend, appoint other director to attend on his behalf by power of attorney which shall state the scope of authorization.

Any director attending on behalf of another director shall only exercise the rights within the scope of authorization. Should a director neither attend a board meeting nor appoint a proxy to attend on his behalf, the said director shall be deemed as waiving his voting rights at the meeting.

**Article 153** A director will be deemed to have failed to perform his duties if he fails to attend board meetings in person twice consecutively and does not appoint other directors to attend on his behalf . The board of directors shall make recommendations to general meetings to replace such director.

**Article 154** Board meetings may be conducted by way of circulating written resolutions for adoption instead of convening a physical meeting provided that the draft of such resolutions shall be sent to each director by hand, post, telegram or facsimile. Where the resolutions have been distributed to all directors, signed by the minimum quorum of directors and returned to the secretary to the board of directors by the above methods, such resolutions shall become resolutions of the board of directors without the need of convening a physical meeting.

**Article 155** The board of directors shall make meeting minutes in Chinese for resolutions passed at board meetings and resolutions adopted without convening a board meeting. Minutes for each board meeting shall be delivered to all directors for review as soon as possible, and any director who wishes to make amendment to the minutes shall report his amendment advice in writing to the Chairman within one week upon receipt of the minutes. The directors and recorder(s) attending the meeting shall endorse their names on the final version of the minutes.

Such minutes shall be kept at the Company's corporate domicile.

The directors shall be liable for the resolutions of the board of directors. If a resolution of the board of directors violates the laws, administrative regulations or the Articles of Associations as a result of which the Company sustains serious losses, the directors participating in the resolution are liable to compensate the Company. However, if it can be proved that a director expressly objected to the resolution when the resolution was voted on, and that such objection was recorded in the minutes of the meeting, such director may be released from liability.

## **Chapter 11 Secretary to the Board of Directors**

**Article 156** There shall be a secretary to the board of directors who is a senior management of the Company.

**Article 157** The secretary to the board of directors shall be a natural person who has the requisite professional knowledge and experience, and shall be appointed by the board of directors. His/her primary responsibilities are to ensure that:

- (1) the Company has complete constitutional documents and records;
- (2) the Company prepares and delivers, in accordance with laws, those reports and documents required by authorities entitled thereto;
- (3) the Company's register of shareholders is properly maintained, and that persons entitled to access the relevant records and documents are furnished with the same without delay.

**Article 158** A director or other senior management members of the Company (except the supervisors) may hold the office of the secretary to the board of directors concurrently. The accountant(s) of the accounting firm appointed by the Company shall not act as the secretary to the board of directors.

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

**Article 159** The secretary to the board of directors shall remind and help the Company to comply with relevant PRC laws and the rules of the stock exchange on which its shares are listed.

## **Chapter 12 General Manager of the Company**

**Article 160** The Company shall have one general manager, who shall be appointed or removed by the board of directors.

**Article 161** The general manager shall be accountable to the board of directors and exercise the following functions and powers:

- (1) to lead in the production, operation and management of the Company and to implement resolutions of the board of directors;
- (2) to organise the implementation of the Company's annual business plan and investment plan;
- (3) to formulate plans for the establishment of the Company's internal management structure;
- (4) to formulate the Company's basic management system;
- (5) to formulate basic rules and regulations for the Company;
- (6) to propose the appointment or dismissal of the Company's deputy general manager and chief accountant;

- (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 Articles of Association and the board of directors.

**Article 162** The general manager of the Company shall attend board meetings and is entitled to receive the notice of meetings and relevant documents. The general manager who is not a director has no voting rights at board meetings.

**Article 163** In performing their duties and powers, the general manager and deputy general manager shall not depart from the resolutions of the general meetings and the board of directors or exceed their authority.

**Article 164** In performing their duties and powers, the general manager and deputy general managers shall act honestly and diligently in accordance with laws, administrative regulations and the Articles of Association.

**Article 165** The general manager, deputy general managers and other senior management members who wish to resign shall give a three (3) months' written notice to the board of directors. Department managers who wish to resign shall give a two (2) months' written notice to the general manager.

## **Chapter 13      Supervisory Committee**

**Article 166**      The Company shall have a supervisory committee.

**Article 167**      The supervisory committee shall comprise three supervisors, one of whom shall act as the chairman. The term of office of supervisors shall be three (3) years, renewable upon re-election and re-appointment.

In the event that the re-election of a supervisor fails to take place on a timely basis upon expiry of the term of office or a supervisor resigns during his term of office which results in the number of members of the supervisory committee falling below the statutory minimum, the existing supervisor shall continue to perform his duty as a supervisor in accordance with the laws, administrative regulations and the Articles of Association before a new supervisor is elected and assumes office.

The appointment and removal of the chairman of the supervisory committee shall be made by a resolution passed by two-thirds or more of the members of the supervisory committee

**Article 168**      The supervisory committee shall comprise at least two (2) representatives of the employees, and the rest being representatives of the shareholders. Employees' representatives shall be elected and removed by the employees while shareholders' representatives shall be elected and removed at a general meeting.

**Article 169**      The directors, general manager, deputy general managers, chief accountant and other senior management members of the Company shall not act concurrently as supervisors.

**Article 170** The supervisory committee shall convene at least one meeting every six (6) months, which shall be convened by the chairman of the supervisory committee. Should the chairman of the supervisory committee be unable to, or fail to perform his duties, a supervisor elected by half or more of the supervisors shall convene and preside over the meeting.

**Article 171** The supervisory committee shall be accountable to the general meetings and exercise the following functions and powers in accordance with laws:

- (1) to review the Company's financial matters;
- (2) to oversee whether the directors, general manager and other senior management members act in compliance with the laws, administrative regulations and the Articles of Association;
- (3) to demand any director, general manager or any other senior management members who acts in a manner which is harmful to the Company's interest to rectify such behaviour;
- (4) to verify the financial information such as the financial report, business report and plans for distribution of profits to be submitted by the board of directors to the general meetings and, should any queries arise, to appoint, in the name of the Company, certified public accountants and practising auditors for re-examination;
- (5) to propose the convening of an extraordinary general meeting;
- (6) to represent the Company in negotiation with or bringing an action against a director; and
- (7) other functions and powers specified in the Articles of Association.

Supervisors shall attend meetings of the board of directors as observers.

**Article 172** Resolutions of the supervisory committee shall be passed by two-thirds or more of all its members.

**Article 173** Detailed minutes shall be prepared for the resolutions on the matters put to the meetings of supervisory committee for consideration, on which supervisors present at the meeting shall endorse their names.

Each supervisor is entitled to request that certain descriptive records of his comments made at the meetings be noted in the minutes.

**Article 174** The supervisors shall ensure the truthfulness, accuracy and completeness of the information disclosed by the Company.

**Article 175** For the purpose of carrying out its duties, the supervisory committee may engage experts such as lawyers, certified public accountants and practicing auditors, the expense for which shall be borne by the Company.

**Article 176** The supervisory committee shall carry out its supervision responsibilities faithfully in accordance with the laws, administrative regulations and the Articles of Association.



## **Chapter 14    Qualifications and Duties of Directors, Supervisors, General Managers and Other Senior Management Members of the Company**

**Article 177**    A person to whom any of the following circumstances applies may not serve as a director, supervisor, general manager and other senior management member of the Company:

- (1)    a person who does not have or has limited capacity for civil conduct;
- (2)    a person who has been sentenced for corruption, bribery, infringement of property or misappropriation of property or sabotaging social economic order and, because of committing such offence, has been punished or has been deprived of his political rights, in each case where less than five (5) years have elapsed since the date of the completion of implementation of such punishment or deprivation;
- (3)    a person who is a former director, factory manager or general manager of a company or enterprise which has been dissolved or put into liquidation as a result of mismanagement and who was personally liable for the insolvency of such company or enterprise, where no more than three (3) years have elapsed since the date of completion of the insolvency liquidation of the company or enterprise;
- (4)    a person who is a former legal representative of a company or enterprise the business licence of which was revoked due to violation of laws and who is personally liable for such revocation, where no more than three (3) years have elapsed since the date of the revocation of the business licence;
- (5)    a person who holds a relatively large amount of debts which have fallen due and outstanding;

- (6) a person who is currently under investigation by the judicial authorities for violation of criminal law where the said investigation is not yet concluded;
- (7) a person who, according to laws and administrative regulations, cannot act as a leader of an enterprise;
- (8) a non-natural person;
- (9) a person who has been adjudged by the relevant authority for violation of the relevant securities regulations and such conviction involves a finding that such person has acted fraudulently or dishonestly, where not more than five (5) years have lapsed from the date of such conviction.

**Article 178** An independent director shall satisfy the following fundamental requirements:

- (1) have the qualifications to be a director of a listed company as provided in laws, administrative regulations and other relevant regulations;
- (2) be independent;
- (3) have a command of the basic knowledge of the operations of listed companies, and be familiar with relevant laws, administrative regulations, and departmental rules and regulations;
- (4) have at least five (5) years of work experience in legal or economic field or other fields indispensable for performing the duties of independent directors;
- (5) other requirements stipulated in the Article of Association.

For the purpose of the independency of independent directors, the following persons shall not serve as independent directors:

- (1) persons employed by the Company or its subsidiaries and their immediate family members and major social relations (immediate family members means spouse, parents and children, etc; and major social relations means siblings, parents-in-law, sons/daughters-in-law, spouses of siblings, siblings of spouse, etc.);
- (2) natural person shareholders who directly or indirectly hold 1% or more of the Company's issued shares or who are among the top ten shareholders of the Company and their immediate family members;
- (3) persons employed by the shareholder entities which directly or indirectly holds 5% or more of the Company's issued shares or which are among the top five shareholder entities of the Company and their immediate family members;
- (4) persons to whom any of the abovementioned three circumstances applied in the recent one year;
- (5) persons who provide financial, legal and consulting services to the Company or its affiliated enterprises;
- (6) persons who are acting as independent directors in five listed companies;
- (7) persons who are prohibited from acting as independent directors by the securities regulatory authority of the State Council.

**Article 179** The validity of an act carried out by a director, the general manager or other senior management members of the Company on behalf of the Company as against a bona fide third party, shall not be affected by any irregularity in his office, election or any defect in his qualification.

**Article 180** In addition to the obligations imposed by laws, administrative regulations or the listing rules of the stock exchange on which shares of the Company are listed, each of the Company's directors, supervisors, general manager and other senior management members owes the following duties to each shareholder when exercising of the functions and powers entrusted to him by the Company:

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

**Article 181** Each of the Company's directors, supervisors, general manager and other senior management members owes a duty, in the exercise of his powers and in the discharge of his duties, to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. This principle includes (without limitation) the following:

- (1) to exercise the rights accredited by the Company in a cautious, serious and diligent manner so as to ensure the commercial behaviours of the Company complies with the PRC laws, administrative regulations and economic policies, and the commercial activities does not exceed the scope of business stipulated in the business license;

- (2) to keep informed of the latest information about the operation and management of the Company;
- (3) to endorse his name on the regular reports of the Company and ensure the truthfulness, accuracy and completeness of the information disclosed by the Company;
- (4) to provide true information and data to the supervisory committee, and not to interfere with the supervisory committee or supervisors in exercising their functions and powers;
- (5) to perform other obligations of diligence imposed by laws, administrative regulations, departmental rules and the Articles of Association.

**Article 182** Each of the Company's directors, supervisors, general manager and other senior management members shall exercise his powers or perform his duties in accordance with the fiduciary principle, and shall not put himself in a position where his duty and his interest may conflict. This principle includes (without limitation) discharging the following obligations:

- (1) to act bona fide in the best interests of the Company;
- (2) to exercise his powers within the scope of his authority and not to exceed such authority;
- (3) to exercise the discretion vested in him personally and not to allow himself to act under the control of another and, unless and to the extent permitted by laws, administrative regulations or with the informed consent of shareholders given at a general meeting, not to delegate the exercise of his discretion;
- (4) to treat shareholders of the same class equally and to treat shareholders of different classes fairly;
- (5) except in accordance with the Articles of Association or with the informed consent of the shareholders given at a general meeting, not to enter into any contract, transaction or arrangement with the Company;

- (6) not to use the Company's property for his own benefit by any means, without the informed consent of the shareholders given at a general meeting;
- (7) not to abuse his position to accept bribes or other illegal income or expropriate the Company's property in any way, including (without limitation) any opportunity advantageous to the Company;
- (8) not to accept commissions in connection with the Company's transactions, without the informed consent of the shareholders given at a general meeting;
- (9) to comply with the Articles of Association, to perform his duties faithfully, to protect the Company's interests and not to exploit his position and power in the Company to advance his own private interests;
- (10) not to compete with the Company in any way, save with the informed consent of the shareholders given at a general meeting;
- (11) not to misappropriate the Company's funds or to lend such funds to any other person, not to use the Company's assets to set up deposit accounts in his own name or in any other name or to use such assets to provide guarantee for the debts of a shareholder of the Company or any other personal liabilities;
- (12) not to release any confidential information which he has obtained during his term of office, without the informed consent of the shareholders at a general meeting and not to use such information for purposes other than for the interests of the Company, save that disclosure of such information to the court or other governmental authorities is permitted if:
  - (i) disclosure is made under compulsion of law;
  - (ii) public interests so warrants;
  - (iii) the interests of the relevant director, supervisor, general manager and other senior management members so requires.

**Article 183** Each director, supervisor, general manager and other senior management members of the Company shall not direct the following persons or institutions ("associates") to act in a manner which he is prohibited from so acting:

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

**Article 184** The fiduciary duties of the directors, supervisors, general manager and other senior management members of the Company do not necessarily cease with the termination of their tenure. The duty of confidentiality in respect of trade secrets of the Company survives the termination of their tenure. Other duties may continue for such period as the principle of fairness may require depending on the amount of time which has lapsed between the termination of tenure and the occurrence of the event concerned and the circumstances and terms under which the relationship between the relevant director, supervisor, general manager and other senior management member on the one hand and the Company on the other hand was terminated.

**Article 185** Except for the circumstances prescribed in Article 54 hereof, a director, supervisor, general manager or other senior management member of the Company may be relieved of liability for specific breaches of his duty with the informed consent of the shareholders given at a general meeting.

**Article 186** Where a director, supervisor, general manager or other senior management members of the Company is in any way, directly or indirectly, materially interested in a contract, transaction or arrangement or proposed contract, transaction or arrangement with the Company, (other than his contract of service with the Company), he shall declare the nature and extent of his interests to the board of directors at the earliest opportunity, whether or not the contract, transaction or arrangement or proposal thereof is otherwise subject to the approval of the board of directors.

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

For the purposes of this Article, a director, supervisor, general manager or other senior management members of the Company is deemed to be interested in a contract, transaction or arrangement in which his associate is interested.



**Article 187** Where a director, supervisor, general manager or other senior management members of the Company gives to the board of directors a notice in writing stating that, by reason of the facts specified in the notice, he is interested in contracts, transactions or arrangements which may subsequently be made by the Company, such notice shall be deemed for the purposes of the preceding Article to be a sufficient declaration of his interests, so far as the content stated in such notice is concerned, provided that such notice shall have been given before the date on which the question of entering into the relevant contract, transaction or arrangement is first taken into consideration by the Company.

**Article 188** The Company shall not pay taxes for or on behalf of a director, supervisor, general manager or other senior management members in any manner.

**Article 189** The Company shall not directly or indirectly make a loan to or provide any guarantee in connection with the making of a loan to a director, supervisor, general manager or other senior management members of the Company or of the Company's parent company or any of their respective associates.

The foregoing prohibition shall not apply to the following circumstances:

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

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

**Article 190** Any person who receives funds from a loan which has been made by the Company acting in breach of the preceding Article shall, irrespective of the terms of the loan, forthwith repay such funds.

**Article 191** A guarantee for the repayment of a loan which has been provided by the Company acting in breach of the first paragraph of Article 188 shall not be enforceable against the Company, save in respect of the following circumstances:

- (1) a loan advanced to an associate of any of the directors, supervisors, general manager and other senior management members of the Company or of the Company's parent company and the lender of such funds did not know of the relevant circumstances at the time of the making of the loan; or
- (2) the collateral which was provided by the Company has already been lawfully disposed of by the lender to a bona fide purchaser.

**Article 192** For the purposes of the foregoing provisions of this Chapter, a "guarantee" includes an undertaking or property provided to secure the obligor's performance of his obligations.

**Article 193** In addition to any rights and remedies provided by the laws and administrative regulations, where a director, supervisor, general manager or other senior management members of the Company breaches the duties which he owes to the Company, the Company has a right:

- (1) to demand such director, supervisor, general manager or other senior management member to compensate it for losses sustained by the Company as result of such breach;
- (2) to rescind any contract or transaction which has been entered into between the Company and such director, supervisor, general manager or other senior management member or between the Company and a third party (where such third party knows or should have known that such director, supervisor, general manager other senior management member representing the Company has breached his duties owed to the Company);
- (3) to demand such director, supervisor, general manager or other senior management member to surrender the profits made as result of such breach;
- (4) to recover any monies which should have been received by the Company and which were received by such director, supervisor, general manager or other senior management member instead, including (without limitation) commissions; and
- (5) to demand repayment of interest earned or which may have been earned by such director, supervisor, general manager or other senior management member on monies that should have been paid to the Company.

**Article 194** The Company shall, with the prior approval of shareholders in a general meeting, enter into a contract in writing with a director or supervisor wherein his emoluments are stipulated. The aforesaid emoluments include:

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

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

**Article 195** The contracts concerning the emoluments entered into between the Company and its directors or supervisors should provide that in the event of a takeover of the Company, the Company's directors and supervisors shall, subject to the prior approval of shareholders in a general meeting, have the right to receive compensation or other payment in respect of his loss of office or retirement. For the purposes of this paragraph, the takeover of the Company includes any of the following:

- (1) a takeover offer made by any person to all shareholders;
- (2) a takeover offer made by any person with a view of the offeror becoming a "controlling shareholder" within the meaning of Article 65 hereof.

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

## **Chapter 15    Party Committee**

**Article 196**    In accordance with the requirements of the Constitution of the Communist Party of China, an organization of the Communist Party of China shall be established. The Party committee shall perform the core leadership and core political functions to provide directions, manage overall situations and ensure implementation. The working organs of the Party shall be established, equipped with sufficient staff to deal with Party affairs and provided with sufficient funds to operate the Party organization.

**Article 197**    The Company shall establish the Party Committee consisting of one secretary, one deputy secretary and several other committee members. Eligible Party Committee members may be appointed as members of the Board of Directors, the Board of Supervisors and the management team of the Company through legal procedures, while eligible Party members from the Board of Directors, the Board of Supervisors and the management team of the Company may be appointed as members of the Party Committee pursuant to relevant regulations and procedures. A Discipline Inspection Commission shall also be established in accordance with relevant regulations.

**Article 198** The Party Committee of the Company shall perform its duties in accordance with the Constitution of the Communist Party of China and other Party regulations.

(I) To ensure and supervise the implementation of guidelines and policies of the Party and of the State by the Company, to implement the significant strategic decisions of the Central Party Committee and the State Council as well as important tasks of the superior Party organizations.

(II) To persist the principle of management by the Party Cadres while ensuring that the Board of Directors is entitled to appoint operation manager pursuant to law and operation manager is entitled to employ staff members pursuant to law. The Party Committee shall consider and advise on the candidates nominated by the Board of Directors or general manager, or may propose candidates to the Board of Directors or general manager for consideration. It shall review the proposed candidates together with the Board of Directors and provide opinions and suggestions.

(III) To consider and discuss the reform, development and stability of the Company, major operation and management issues and major issues concerning employees' interests, and provide comments and suggestions.

(IV) To undertake the main responsibilities of comprehensive and strict management of the Party; lead the Company's ideological and political work, the united front work, construction of spiritual civilization, construction of corporate culture and affairs of the trade union, the Communist Youth League and other groups; take the lead in the construction of the Party's conduct and upholding integrity and support the Discipline Inspection Commission to perform its supervision duties.

## **Chapter 16      Financial Accounting System and Profit Distribution**

**Article 199**      The Company shall establish its financial and accounting systems in accordance with laws, administrative regulations and PRC accounting standards formulated by the finance regulatory department of the State Council.

**Article 200**      The fiscal year of the Company shall coincide with the calendar year, i.e. from January 1 to December 31 on the Gregorian calendar.

**Article 201**      At the end of each fiscal year, the Company shall prepare a financial report which shall be examined and verified in a manner prescribed by law.

The Company's financial report shall include the following accounting statements and schedules:

- (1)      Balance sheet and consolidated balance sheet;;
- (2)      Income statement and consolidated income statement;
- (3)      Statement of Cash Flows and Consolidated Statement of Cash Flows;
- (4)      Statement of Changes in Owners' Equity and Consolidated Statement of Changes in Owners' Equity;
- (5)      Comparison between the figures mentioned in above (1) to (4) and those of last period;
- (6)      Notes to accounting policies and financial reports.

**Article 202**      The board of directors of the Company shall place before the shareholders at every annual general meeting such financial reports which the relevant laws, administrative regulations and directives promulgated by relevant regional and central governmental authorities require the Company to prepare.

**Article 203** The Company's financial reports shall be made available for shareholders' inspection at the Company twenty (20) days before the date of every shareholders' annual general meeting. Each shareholder shall be entitled to obtain a copy of the financial reports referred to in this Chapter.

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

**Article 204** The financial statements of the Company shall be prepared in accordance with PRC accounting standards and regulations.

**Article 205** Any results or financial data published or disclosed by the Company shall be prepared and presented in accordance with PRC accounting standards and regulations.

**Article 206** The Company shall publish its financial reports four (4) times every fiscal year, that is, the interim financial report shall be published within sixty (60) days after the expiration of the first six (6) months of each fiscal year; the annual financial report shall be published within one hundred and twenty (120) days after the expiration of each fiscal year; and the quarterly financial reports shall be published within thirty (30) days after the expiration of the first three (3) months and first nine (9) months of each fiscal year.

**Article 207** The Company shall not keep accounts other than those required by law.



**Article 208** The Company shall have an internal audit office which shall carry out internal audit and supervision on the financial revenues and expenditures and other economic activities of the Company. The internal audit office shall consist of a number of internal auditors, one of whom shall act as the head who shall be nominated by the Chairman of the board and be appointed and removed by the board of directors.

The internal audit office shall be directly accountable to the board of directors.

**Article 209** The Company's after-tax profits shall be distributed in the following order of priority:

- (1) making up for losses;
- (2) appropriation to statutory surplus reserve;
- (3) appropriation to statutory welfare reserve;
- (4) appropriation to discretionary surplus reserve according to relevant resolution of a general meeting;
- (5) payment of ordinary share dividend.

The Company shall contribute 10% of the after-tax profits to its statutory surplus reserve and 5% to 10% to its statutory welfare reserve.

When the accumulated amount of the statutory surplus reserve has reached 50% or more of the Company's registered capital, no further appropriation is required.

**Article 210** The capital reserve includes the following items:

- (1) premium on shares issued at a premium over par value;
- (2) any other income designated for the capital reserve by the regulations of the finance regulatory department of the State Council.

**Article 211** The reserves of the Company shall be applied for making up for losses, expanding the Company's production and operation or increasing the capital of the Company by way of capitalisation.

However, the capital reserve shall not be applied for making up losses of the Company.

If a general meeting of the Company resolves to capitalise any reserves, the Company shall issue new bonus shares to the existing shareholders in proportion to their respective shareholdings or increase the par value of each share provided that when capitalising the statutory surplus reserve, the balance of such reserve shall not be less than 25% of the registered capital.

**Article 212** The Company shall not pay dividends or carry out other distributions in the form of dividends before making for its losses and making allocations to the statutory surplus reserve and the statutory welfare reserve.

**Article 213** Decision-making procedures for the Company's profit distribution:

- (1) The board of directors of the Company shall, based on the Company's profit, capital needs and the Shareholders' Return Plan, formulate its annual profit distribution proposal and submit the same to the general meeting for consideration. When making decisions on and formulating its profit distribution proposal, the board of directors shall listen fully to the opinions and demands of independent directors and record in detail the advice of the management, key points of the speeches of directors present at the meeting, opinions of independent directors, voting results of the board of directors, etc. and form written minutes to be properly kept as the Company's records.

- (2) When considering the cash dividend distribution plan, the board of directors of the Company shall carefully consider and deeply deliberate the timing, conditions and minimum percentage, etc., and independent directors shall express their opinions thereon. Independent directors collect advice from minority shareholders and prepare a distribution proposal which shall be directly proposed to the board of directors for its consideration.
- (3) When the profit distribution plan (including the cash dividend distribution plan) is considered at the general meeting, the Company shall communicate and exchange ideas through multiple channels with shareholders (minority shareholders in particular), listen fully to the opinions and demands of minority shareholders, and give timely replies to issues that concern minority shareholders by ways of open solicitation and convene discussion meetings, etc.
- (4) If profit is recorded in the reporting period but the board of directors of the Company does not put forth a cash dividend distribution proposal, reasons therefor and the use of capital that may otherwise be used as dividends but has been retained by the Company, as well as the expected profit, the consideration and voting at the board meeting shall be disclosed in its periodic report, and independent directors shall express independent opinions thereon.
- (5) The Company's profit distribution policy shall be formulated by the board of directors of the Company and be implemented upon consideration and approval by shareholders at the general meeting. The profit distribution proposal proposed by the board of directors of the Company shall be passed by majority votes of the board of directors of the Company. Independent directors shall provide their independent opinions on the formulation of or amendment to the profit distribution policy. If the Company needs to adjust its profit distribution policy by way of amending the Articles of Association and Shareholders' Return Plan considered and passed at the general meeting due to significant changes in the external operating environment or its own operation, with the

protection of shareholders' interests as the starting point and after discussing the relevant matters in detail, the board of directors of the Company shall put forward a proposal for adjusting the profit distribution policy and Shareholders' Return Plan to the general meeting for consideration and approval and shall be passed by shareholders present in the meeting representing not less than two-thirds of voting rights.

- (6) The Company shall strictly implement the cash dividend policy as determined in the Articles of Association and the specific plan for distribution of cash dividends as considered and approved at the general meeting. If the Company needs to adjust or change the cash dividend policy as determined in the Articles of Association due to significant changes in the external operating environment or its own operation, it is required to satisfy the conditions under the Articles of Association and execute appropriate decision-making procedures after discussion. The board of directors of the Company shall put forward a proposal for the adjustment or changes to the general meeting for consideration and approval and shall be passed by shareholders present in the meeting representing not less than two-thirds of voting rights. The Company shall disclose the formulation and implementation of cash dividend policy in detail in its periodic reports. If there is any adjustment or change to the cash dividend policy, detailed descriptions shall be provided on the regulatory compliance and transparency regarding the conditions and procedures for such adjustment or change.

- (7) The supervisory committee of the Company shall monitor the execution of cash dividend policy and the Shareholders' Return Plan carried out by the board of directors, as well as the execution of appropriate decision-making procedures and the information disclosure. The supervisory committee shall express explicit opinions and urge the Board to make correction in a timely manner in case of any of the following circumstances:
1. Failure to strictly implement the cash dividends policy and Shareholders' Return Plan;
  2. Failure to strictly implement the cash dividends policy and Shareholders' Return Plan;
  3. Failure to make an authentic, accurate and complete disclosure of the cash dividends policy and its implementation.
- (8) The Company encouraged small and medium-sized investors and institutional investors to participate in the decision of the matters regarding profit distribution of the Company pursuant to relevant requirements.

**Article 214** Profit distribution policy of the Company:

- (1) The Company shall adopt a continuous and steady profit distribution policy. The Company's profit distribution shall focus on providing investors with reasonable investment return as well as maintaining the sustainable development of the Company. The Company's profit distribution shall not exceed the range of the accumulated distributable profits or damage the Company's ability to continue operations.

If there is any surplus following appropriation of after- tax profits according to items (1) to (4) of Article 205, the Company shall distribute dividends. The dividends of the Company shall be distributed at least once a year. After the profit distribution plan is approved at the general meeting of the Company, the board of directors of the Company shall complete the distribution of the dividends (or shares) within two months after convening the shareholders' general meeting.

- (2) The Company may distribute dividends in cash, in shares or in a combination of both cash and shares. The Company shall give priority to distribute dividends in cash with a positive stance providing that the Company is recording profits and the cash can meet the needs of the Company's continuing operation and long-term development.
- (3) The Company may distribute interim cash dividends. The Company's cash dividend policy adopts fixed rate, that is, to distribute cash dividends at a fixed proportion of distributable profits realized by the Company. The profits which the Company has accumulatively distributed in cash over the last three years shall not be less than 30% of the average annual distributable profits realized in such three years. If the Company does not distribute profits in cash in the last three years, the Company shall not issue new shares to the public, issue convertible bonds or place shares to the existing shareholders.

The Board shall distinguish the following circumstances taking into account its industry features, development stages, business model and profitability as well as whether it has any substantial capital expenditure arrangement, and stipulate differentiated cash dividend policy in accordance with the procedures set out in the Articles of Association:

1. Where the Company is in a developed stage with no substantial capital expenditure arrangement, the dividend distributed in the form of cash shall not be less than 80% of the total profit distribution when distributing its profits;
  2. Where the Company is in a developed stage with substantial capital expenditure arrangement, the dividend distributed in the form of cash shall not be less than 40% of the total profit distribution when distributing its profits;
  3. Where the Company is in a developing stage with substantial capital expenditure arrangement, the dividend distributed in the form of cash shall not be less than 20% of the total profit distribution when distributing its profits.
- (4) The following conditions shall be satisfied for cash dividend distribution:
1. the distributable profit (i.e. after-tax profit net of the profit used for making up for losses and the profit transferred to the statutory reserve fund) for the year is positive;
  2. the auditing firm has issued a standard audit report with unqualified opinions on the financial report for the financial year.
- (5) Depending on the profitability and cash flows for the year, the Company may distribute profits by way of shares provided that the minimum cash dividend payout ratio and an optimal share capital base and shareholding structure are maintained. In the case that profits are distributed by way of shares, real and reasonable reasons such as the Company's growth, dilution of net asset value per share shall be taken into consideration.

- (6) Whenever the Company distributes dividends, an announcement in respect thereof shall be made to shareholders. No profit shall be distributed in respect of the shares held by the Company.
- (7) Dividends payable to the holders of the overseas-listed foreign-invested shares of the Company shall be denominated and declared in Renminbi and paid in foreign currencies. Dividends payable on foreign-invested shares listed in Hong Kong shall be paid in Hong Kong dollars.
- (8) The Company shall issue preferred shares and repurchase shares in accordance with the laws, and can repurchase shares under the circumstances that share price is lower than the net asset value per share (except for the circumstance that losses are recorded).

**Article 215** Unless otherwise resolved by the shareholders at a general meeting, the board of directors may resolve to distribute interim dividends. Unless otherwise stipulated by laws and administrative regulations, the amount of interim dividends distributed shall not exceed 50% of the distributable profits as stated in the interim profit statement of the Company.

**Article 216** Unless otherwise provided for in relevant laws and administrative regulations, where cash dividends are to be paid in foreign currencies, the relevant exchange rate shall be the average exchange rate of RMB against foreign currency as quoted by the People's Bank of China for the calendar week preceding the date on which the dividend is declared.

**Article 217** When distributing dividends to its shareholders, the Company shall withhold and pay on behalf of its individual shareholders the taxes levied on the dividends in accordance with the provisions of the PRC tax law.



**Article 218** The Company shall appoint receiving agents for holders of overseas-listed foreign-invested shares. Such receiving agents shall receive on behalf of such shareholders any dividends or other amounts payable by the Company to them in respect of the overseas-listed foreign-invested shares.

The receiving agents appointed by the Company shall satisfy the requirements under the laws of the place in which the stock exchange on which Company's shares are listed is situated or the relevant regulations of such stock exchange.

The receiving agent appointed by the Company for holders of overseas-listed foreign-invested shares listed in Hong Kong shall be a trust company registered under the Trustee Ordinance of Hong Kong.

## **Chapter 17 Appointment of Auditors**

**Article 219** The Company shall appoint an independent firm of certified public accountants which is qualified under the relevant regulations of the State to audit the Company's annual financial reports and review the Company's other financial reports.

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

If the inaugural meeting fails to exercise its powers under the preceding paragraph, those powers shall be exercised by the board of directors.

**Article 220** The auditor appointed by the Company shall hold office from the conclusion of the annual general meeting at which they are appointed until the conclusion of the next annual general meeting.

**Article 221** The auditor appointed by the Company shall have the following rights:

- (1) the right to review to the books, records and vouchers of the Company at any time, the right to require the directors, general manager and other senior management members of the Company to supply relevant information and explanations;
- (2) the right to require the Company to take all reasonable steps to obtain from its subsidiaries such information and explanation as are necessary for the discharge of its duties;
- (3) the right to attend general meetings and to receive all notices of, and other communications relating to, any general meeting which any shareholder is entitled to receive, and to speak at any general meeting in relation to matters concerning its role as the Company's auditors.

**Article 222** In case there is a vacancy in the office of auditor of the Company, the board of directors may appoint an auditor to fill such vacancy before the convening of the general meeting, but while any such vacancy continues, other auditor(s) of the Company in office, if any, may continue to act.

**Article 223** The shareholders in a general meeting may by ordinary resolution remove the Company's auditor before the expiration of its term of office, irrespective of the provisions in the contract between the Company and such auditor. However, the auditor's right to claim for damages which arise from its removal shall not be affected thereby.

**Article 224** The remuneration of the auditor of the Company or the manner in which such auditor is to be remunerated shall be determined by the shareholders in a general meeting. The remuneration of the auditor appointed by the board of directors shall be determined by the board of directors.

**Article 225** The Company's appointment, removal or non-reappointment of an auditor shall be resolved by the shareholders in a general meeting. Such resolution shall be filed with the China Securities Regulatory Commission.

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

- (1) A copy of the appointment or removal proposal shall be sent (before notice of meeting is given to the shareholders) to the auditor proposed to be appointed or proposing to leave its post or the auditor which has left its post in the relevant fiscal year (leaving includes leaving by removal, resignation and retirement).
- (2) If the auditor leaving its post makes representations in writing and requests the Company to notify its shareholders of such representations, the Company shall (unless the representations are received too late) take the following measures:
  - (i) in any notice of meeting held for making the resolution, state the fact of the representations having been made by the leaving auditor;
  - (ii) attach a copy of the representations to the notice and send it to the shareholders in the manner stipulated in the Articles of Association.

- (3) If the Company fails to send out the auditor's representations in accordance with this Article, the relevant auditor may require that the representations be read out at the general meeting and may lodge further complaints.
- (4) An auditor which is leaving its post shall be entitled to attend:
  - (i) the general meeting at which its term of office would otherwise have expired;
  - (ii) the general meeting at which it is proposed to fill the vacancy caused by its removal;
  - (iii) the general meeting which is convened as a result of its resignation.

and to receive all notices of, and other communications relating to, any such meeting, and to speak at any such meeting in relation to matters concerning its role as the former auditor of the Company.

**Article 226** Prior notice should be given to the auditor if the Company decides to remove such auditor or not to renew the appointment thereof. Such auditor shall be entitled to make representations at the general meeting. Where the auditor resigns from its position, it shall make clear to the shareholders in a general meeting whether there has been any impropriety on the part of the Company.

An auditor may resign its office by depositing at the Company's corporate domicile a resignation notice which shall become effective on the date of such deposit or on such later date as may be stipulated in such notice. Such notice shall contain the following statements :

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

The Company shall, within fourteen (14) days after receipt of the notice referred to in the preceding paragraph, send a copy of the notice to the relevant governing authority. If the notice contains a statement under the preceding sub-paragraph (2), a copy of such statement shall be placed at the Company for shareholders' inspection. The Company should also send a copy of such statement by prepaid mail to each holder of overseas-listed foreign-invested shares at the address registered in the register of shareholders.

Where the auditor's notice of resignation contains any matters that need to be brought to the attention of shareholders or creditors of the Company, it may require the board of directors to convene an extraordinary general meeting for the purpose of making an explanation on the matters connected with its resignation.

## **Chapter 18 Insurance**

**Article 227** All insurances of the Company shall be purchased from People's Insurance Company of China or other insurers which are registered in the PRC and permitted by the PRC laws to provide insurances to PRC enterprises.

**Article 228** The types of coverage, the insured amounts, periods and other terms shall be submitted by the general manager of the Company to the board of directors for discussion and determination by reference to the practices of peer companies in other countries and the practices and legal requirements in the PRC.

## **Chapter 19    Labour Management**

**Article 229**    The Company shall formulate its systems regarding labour management, personnel affairs, wages and welfare and social insurance in accordance with the laws and administrative regulations of the PRC.

**Article 230**    The Company implements the system of appointment for all levels of management personnel and a contract system for ordinary employees. The Company may decide by itself on its staffing, has the right to recruit on its own and may dismiss, in management personnel as well as other employees in accordance with the laws and the terms of labor contracts.

**Article 231**    The Company shall have the right to, based on its own economic efficiency, decide on its own the levels of wages and welfare benefits of all levels of management personnel and other employees to the extent as permitted by the relevant PRC administrative regulations.

**Article 232**    The Company shall arrange for medical insurance, retirement insurance and unemployment insurance for its management personnel and other employees in accordance with relevant administrative regulations of the government and local government of the PRC, and shall implement the laws, administrative regulations and relevant requirements regarding labour insurance and protection for retired and temporarily laid-off staff.

## **Chapter 20 Trade Union**

**Article 233** The Company's employees shall have the right to organise a trade union and engages in trade union activities in accordance with relevant laws and administrative regulations of the PRC. The activities of the trade union shall be conducted beyond the normal working hours, unless otherwise specified by the board of directors.

**Article 234** The Company shall allocate 2% of the total amount of wages paid to its staff and workers to the trade union every month. Such funds shall be used by the trade union of the Company in accordance with the Measures for the Management of Trade Union Funds formulated by the All China Federation of Trade Unions.

## **Chapter 21 Merger and Division of the Company**

**Article 235** In the event of the merger or division of the Company, a plan shall be proposed by the Company's board of directors and shall be approved in accordance with the procedures stipulated in the Articles of Association and the Company shall go through the relevant approval process. Shareholders who oppose the plan of merger or division of the Company shall have the right to request that the Company or the shareholders who consent to such plan of merger or division to purchase their shares at a fair price.

The contents of the resolution of merger or division of the Company shall be written into special documents which shall be available for inspection by the shareholders of the Company. Such special documents shall be sent by mail to holders of overseas-listed foreign-invested shares.

**Article 236** The merger of the Company may take the form of either merger by absorption or merger by the establishment of a new company.

In the event of a merger, the parties to the merger shall enter into a merger agreement and prepare balance sheets and inventories of assets. The Company shall notify its creditors within ten (10) days of the date of the Company's resolution on merger and shall make at least three (3) newspaper announcements within thirty (30) days of the date of the Company's resolution on merger. Creditors may, within thirty (30) days after receipt of such notice from the Company, or, for those who do not receive such notice, within ninety (90) days of the date of the newspaper announcement, to demand that the Company repay their debts or provide a corresponding guarantee for such debts. The Company shall not proceed with the merger without repaying such debts or provision of such guarantee.

After the merger, claims and liabilities of parties to the merger shall be born by the surviving company or the newly established company.

**Article 237** When the Company is divided, its assets shall be split up accordingly.



In the event of a division of the Company, all the parties involved shall execute a division agreement and prepare balance sheets and inventories of assets. The Company shall notify its creditors within ten (10) days of the date of the Company's resolution on division and shall make at least three newspaper announcements within thirty (30) days of the date of the Company's resolution on division. Creditors may, within thirty (30) days after receipt of such notice from the Company, or, for those who do not receive such notice, within ninety (90) days of the date of the newspaper announcement, to demand that the Company repay their debts or provide a corresponding guarantee for such debts. The Company shall not proceed with the division without repaying such debts or provision of such guarantee.

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

**Article 238** When the merger or division of the Company involves changes in registered particulars, such changes shall be registered with the company registration authority in accordance with the law. When the Company dissolves, the Company shall cancel its registration in accordance with the law. When a new company is established, its establishment shall be registered in accordance with the law.

## **Chapter 22     Dissolution and Liquidation of the Company**

**Article 239**     The Company shall be dissolved and liquidated upon the occurrence of any of the following events:

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

**Article 240**     A liquidation committee shall be set up within fifteen (15) days of the Company being dissolved pursuant to subparagraph (1) of the preceding Article, and the composition of the liquidation committee of the Company shall be determined by shareholders at a general meeting by way of ordinary resolution. If the Company fails to set up the liquidation committee within the specified period to carry out liquidation procedures, creditors may apply to the People's Court for appointment of relevant persons to form a liquidation committee so as to proceed with liquidation.

Where the Company is dissolved pursuant to subparagraph (3) of the preceding Article, the People's Court shall, according to the relevant laws, organise the shareholders, relevant authorities and relevant professionals to proceed with the liquidation.

Where the Company is dissolved under sub-paragraph (4) of the preceding Article, the relevant governing authorities shall organise the shareholders, relevant organisations and professionals to establish a liquidation committee to proceed with the liquidation.

**Article 241** Where the board of directors decides to liquidate the Company for any reason other than the Company's declaration of its own bankruptcy, the board of directors shall include a statement in its notice convening a shareholders' general meeting to consider the proposal to the effect that, after making full inquiry into the affairs of the Company, the board of directors is of the opinion that the Company will be able to pay its debts in full within twelve (12) months from the commencement of the liquidation.

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

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

**Article 242** The liquidation committee shall notify creditors within ten (10) days from the date of its establishment and make at least three newspaper announcements within sixty (60) days of that date. Creditors should, within thirty (30) days after receipt of the notice, or, for those who do not receive the notice, within ninety (90) days from the date of the announcement, declare their claims to the liquidation committee. When declaring their claims, creditors shall explain relevant particulars of their claims and provide supporting materials. The liquidation committee shall register the creditors.

**Article 243** During the liquidation period, the liquidation committee shall exercise the following functions and powers:

- (1) to sort out the Company's assets and prepare a balance sheet and an inventory of assets respectively;
- (2) to notify creditors by sending notice or by making announcement;
- (3) to deal with and settle the Company's outstanding business deals in relation to the liquidation;
- (4) to pay all outstanding taxes;
- (5) to settle claims and debts;
- (6) to deal with the surplus assets remaining after the Company's debts have been repaid;
- (7) to represent the Company in any civil proceedings.

**Article 244** After it has sorted out the Company's assets and prepared a balance sheet and an inventory of assets, the liquidation committee shall formulate a liquidation plan and present it to a general meeting or to the relevant competent authorities for confirmation.

Where the assets of the Company are sufficient to repay debts, the liquidation expenses, outstanding salaries payable to the employees and social insurance premiums, outstanding taxes and debts of the Company shall be paid off respectively.

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

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

**Article 245** If after sorting out the Company's assets and preparing a balance sheet and an inventory of assets in connection with the dissolution or liquidation of the Company, the liquidation committee discovers that the Company's assets are insufficient to repay the Company's debts in full, the liquidation committee shall immediately apply to the People's Court for a declaration of bankruptcy.

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

**Article 246** Following the completion of liquidation, the liquidation committee shall present a report on liquidation and prepare a statement of income and expenses received and made during the liquidation period and a financial accounts, which shall be audited by PRC certified public accountants and then submitted to the general meeting or relevant competent authorities for confirmation.

The liquidation committee shall, within thirty (30) days after such confirmation, submit the documents referred to in the preceding paragraph to the companies registration authority and apply for cancellation of registration of the Company, and announce the termination of the Company.

## **Chapter 23 Amendment of the Articles of Association of the Company**

**Article 247** The Company may amend the Articles of Association in accordance with the requirements of laws, administrative regulations and the Articles of Association.

**Article 248** Any amendment to the Articles of Association involving anything set out in the Mandatory Provisions shall become effective upon approval by the competent authorities. If there is any change relating to the registered particulars of the Company, application shall be made for alteration of registration in accordance with the laws.

## **Chapter 24 Notices**

**Article 249** Unless as otherwise provided for in the Articles of Association, all the notices, materials or written statements issued by the Company to holders of overseas listed foreign-invested shares shall be delivered by hand or by post to the registered address of each holder of such shares.

**Article 250** A notice sent by post shall be deemed as having been served 48 hours after the envelope containing such notice was dispatched, provided that the address was clearly written and postage fee pre-paid.

## **Chapter 25 Settlement of Disputes**

**Article 251** The Company shall act according to the following principles to settle disputes:

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

Where a dispute or claim of rights referred to in the preceding paragraph is referred to arbitration, the entire claim or dispute must be referred to arbitration, and any person who has a cause of action based on the same facts giving rise to the dispute or claim or whose participation is necessary for the resolution of such dispute or claim, shall, where the capacity of such person is the Company, or a shareholder, director, supervisor, general manager or other senior management members of the Company, comply with the arbitration. Disputes in relation to the definition of shareholders and disputes in relation to the register of shareholders need not be referred to arbitration.

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

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

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

## **Chapter 26     Supplementary Provisions**

**Article 252**     The Rules of Procedures for Shareholders' General Meetings, the Rules of Procedures for the Meetings of the Board of Directors, and the Rules of Procedures for Supervisory Committee Meetings shall constitute the appendices to the Articles of Association.

**Article 253**     The Articles of Association shall be interpreted by the board of directors of the Company.

Should there be any discrepancy between the Articles of Association and the PRC laws, administrative regulations and relevant departmental rules, the PRC laws, administrative regulations and departmental rules shall prevail.



Any matters which are not covered by the Articles of Association shall be executed in accordance with the requirements of the PRC laws, administrative regulations and relevant departmental rules; or failing such requirements, shall be put forward by the board of directors to the shareholders' general meeting for resolution.”

**Article 254** The Articles of Association are written in Chinese and English and in case of any discrepancy, the Chinese version shall prevail.

**Article 255** In the Articles of Association, reference to “accounting firm” shall have the same meaning as “auditor” referred to in the Mandatory Provisions.

Nanjing Panda Electronics Company Limited

30 November 2017