

This is a consolidated version of the articles of 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.

# GUANGZHOU PHARMACEUTICAL COMPANY LIMITED

## THE ARTICLES OF ASSOCIATION

(the Articles of Association was considered and passed at the annual general meeting  
which held on 26 June 2013)

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## Chapter 1 General Rules

**Article 1** The Company was established as a joint stock company with limited liability in accordance with the “Company Law (the “Company Law”) of the People’s Republic of China”, the “Special Regulations of the State Council on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies” (the “Special Regulations”), and other relevant laws and administrative regulations of the PRC. The legal interests of the Company and the shareholders are governed and protected by laws, regulations, and other relevant governmental rules of the PRC.

**Article 2** The Company was established by way of promotion in accordance with the approval document of Ti Gai Sheng [1997] No. 139 issued by the State Commission for Economic System Restructuring of the PRC. The Company was incorporated and registered with Guangzhou Administration for Industry and Commerce with the registration number of 63320680-X, and obtained its business license on 1 September 1997.

The promoter of the Company was Guangzhou Pharmaceutical Holdings Limited

As approved by the Securities Commission of the State Council by approval document No. [1997] 56 Hao in September 1997, the Company has issued to oversea investors 219,900,000 overseas listed foreign shares available for subscription in foreign currencies and such shares were listed on Hong Kong Stock Exchange in October 1997. In January 2000, as approved by CSRC (approval document no. Zheng Jian Gong Si Zi [2000] 22 Hao), the Company issued to the public 78,000,000 ordinary shares in RMB and such shares were listed on the Shanghai Stock Exchange in February 2000.

### Article 3

Registered Chinese Name: 广州白云山医药集团股份有限公司

English Name: GUANGZHOU BAIYUNSHAN PHARMACEUTICAL HOLDINGS COMPANY LIMITED

Address: 45 Sha Mian North Street, Liwan District, Guangzhou City, Guangdong Province, the PRC

Telephone: (8620)8121 8103

Fax: (8620)8121 6408

Postal code: 510130

**Article 4** The legal representative of the Company is the chairman of the Company.

**Article 5** The Company is a joint stock limited company existing in perpetuity.

**Article 6** “These Articles of Association are amended by way of special resolution passed at the general meeting of the Company and come into effect thereupon, with the existing related Articles of Association voided on the same day.

These Articles of Association shall, with effect from their effective date, constitute the instrument with binding effect in governing the constitution and activities of the Company, the rights and obligations between the Company and its shareholders and among shareholders.”

**Article 7** The Articles of Association has binding effect on the Company and its shareholders, directors, supervisors, managers and other senior officers. The aforesaid personnel may lodge claims in relation to the affairs of the Company in accordance with these Articles of Association.

Shareholders may bring actions against the Company, and the Company may bring actions against shareholders in accordance with these Articles of Association; a shareholder may bring actions against other shareholder(s) or may bring actions against directors, supervisors, managers and other senior officers of the Company in accordance with these Articles of Association.

The action mentioned above includes court proceedings.

**Article 8** The Company may invest in other companies with limited liabilities and/or companies limited by shares and shall be liable only to the extent of the investment contribution to those companies.

Upon approval by the Company's approval authority authorized by the State Council, the Company may, in accordance with its business and management, operate as a holding company as described in the Company Law.

**Article 9** The articles contained in these Articles of Association in accordance with the "Mandatory Provisions for the Articles of Association of Companies to be Listed Overseas" shall not be amended or deleted unless otherwise stated under the provisions of the "Company Law" or any other relevant administrative regulations, or specifically approved by relevant authorities.

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

**Article 10** The business objectives of the Company are management and operation of the state-owned assets within the authorized scope of business in order to enhance and maintain the values of those state-owned assets, with the primary operation in the core business and the development of various business operation so as to integrate the asset operation and product operation. The Company is primarily engaged in new product development with focus on economies of scale and asset productivity and, through fundings, economies of scale, technology, human resources, and effectiveness, the Company gradually develops integrated advantages and consolidated functionality in order to enhance its market competitiveness and explore international market for establishing an international network.

**Article 11** The business scope of the Company should be consistent with those set out in the business license. The Company shall engage in operations within the business scope registered with the Administration for Industry and Commerce.

The business scope of the Company as approved by the state-owned assets administration department covers: operation, investment, development and financing of state-owned assets; research and development, producing and sales of medicines, Chinese medicines, Chinese traditional prepared herbal medicine slice, chemical materials, intermediates for chemical crude drug, packaged food, healthcare food, food for special nutrition uses, drinks, medical apparatus, pharmaceutical machinery, medical supplies, medical materials and dressing, cosmetics, trade brokerage and agency (the specific items of the above-mentioned research and development, manufacturing and sales are subject to as set out

in the licenses of relevant affiliated companies); wholesale and retail trade (except for commodities exclusively sold and controlled by the state); provision of services of securities investment, development of technology and products and improvement of technology for new technology, new products and new materials in the pharmaceutical sector, product information enquiry and property development; development of computer software; provision of information and technology services; import and export of goods and technology (the import and export of the items restricted by laws and administrative regulations should only be conducted upon obtaining the required permits); general cargo and transportation agency; operation of counter trade and transshipment trade; storage (except dangerous chemicals); development, leasing and management of properties.

(If the final business scope of the Company as approved by the Administration for Industry and Commerce is different from that mentioned above, the business scope approved by the Administration for Industry and Commerce shall prevail)

**Article 12** The Company may adjust its investment portfolio, objectives and scope of business in order to be in line with the domestic and overseas market trends, demands arising from domestic and overseas business development, and its own development potential, after completing relevant procedures in accordance with these Articles of Association and with the approval of the relevant competent authorities.

**Article 13** The Company may establish its subsidiaries, branches and offices (whether wholly-owned or not) in the PRC (Hong Kong, Macau) or any other foreign countries for the purpose of business development, in order to strengthen the multi-national operations for the growth of the Company upon the approval of relevant competent authorities.

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

**Article 14** The Company shall at all times have ordinary shares. The Company may also create other class(es) of shares in accordance with its requirements and upon the approval of the Companies supervising department authorized by the State Council.

**Article 15** The shares of the Company shall be in scrip form.

Shares issued by the Company shall have a nominal value at RMB 1 each.

Share issues of the Company shall comply with the principles of being public, fair and just. Shares of the same type shall rank *pari passu*.

The terms and price shall be the same for all shares of the same type in a share issue. Any unit or individual shall pay the same price for each subscribed share.

**Article 16** The Company may issue shares to domestic investors and overseas investors upon the approval of the competent securities authorities of the State Council.

Overseas investors as mentioned in the foregoing paragraph refer to those investors from foreign countries and the regions of Hong Kong, Macau and Taiwan who subscribe for the shares issued by the Company. Domestic investors refer to the investors from the PRC, other than those investors from the aforesaid regions, who subscribe for the shares issued by the Company.

**Article 17** “Domestic shares” refer to the Company’s shares subscribed for in Renminbi by domestic investors.

“Foreign investment shares” refer to the Company’s shares subscribed for in a foreign currency by overseas investors. The Company’s domestic listed shares are abbreviated as “A Shares”. The Company’s overseas listed foreign investment shares listed in Hong Kong are abbreviated as “H Shares”. The Company’s listed shares including domestic listed shares and overseas listed foreign investment shares listed in Hong Kong are both ordinary shares.

**Article 18** As approved by the companies supervisory department authorized by the State Council, upon the establishment of the Company, 513,000,000 shares, representing 100% of the then issued ordinary shares of the Company, were issued to its promoter and such shares were held by Guangzhou Pharmaceutical Holdings Limited. The contribution of such shares by Guangzhou Pharmaceutical Holdings Limited was made by converting its state-owned assets into consideration.

As approved by the competent securities authorities of the State Council, the Company issued 219,900,000 overseas listed foreign capital shares after its establishment.

As approved by the securities competent authorities of the State Council, the Company issued 78,000,000 additional Renminbi-denominated ordinary shares to domestic investors. After the completion of the additional issue, the total number of shares of the Company is 810,900,000. The shareholding structure of the Company is as follows:

- (1) 390,833,391 shares (State shares), representing 48.20% of the total number of shares of the Company, are held by Guangzhou Pharmaceutical Holdings Limited, the promoter;
- (2) 219,900,000 shares (foreign shares), representing 27.12% of the total number of shares of the Company, are held by overseas investors;
- (3) 200,166,609 shares (domestic shares), representing 24.68% of the total number of shares of the Company, are held by domestic investors.

As approved by China Securities Regulatory Commission, the Company issued 34,839,645 new shares to Guangzhou Pharmaceutical Holdings Limited as the consideration for assets acquisition and issued 445,601,005 new shares for absorption and merger of Guangzhou Baiyunshan Pharmaceutical Co., Ltd. After the completion of the major assets reorganization, the total number of shares of the Company is 1,291,340,650. The shareholding structure of the Company is as follows:

- (1) 584,228,036 shares (State shares), representing 45.24% of the total number of shares of the Company, are held by Guangzhou Pharmaceutical Holdings Limited, the promoter;

- (2) 219,900,000 shares (foreign shares), representing 17.03% of the total number of shares of the Company, are held by overseas investors;
- (3) 487,212,614 shares (domestic shares), representing 37.73% of the total number of shares of the Company, are held by domestic investors.

**Article 19** Upon the approval by the competent securities authorities under the State Council for the issue of overseas listed foreign investment shares and domestic shares by the Company, the Board may make arrangement for the respective issue thereof.

The issue of overseas listed foreign investment shares and domestic shares by the Company as mentioned in the foregoing paragraph may be implemented respectively within 15 months from the date of approval granted by the competent securities authorities under the State Council.

**Article 20** Where the total number of shares to be issued by the Company as determined under the plan of share issue involving overseas listed foreign investment shares and domestic shares, such shares should be fully subscribed for at their respective offerings. In the event that the shares so issued are not fully subscribed under special circumstances, the shares may be issued in tranches, subject to the approval of the competent securities authorities under the State Council.

**Article 21** The Company's registered capital is RMB1,291,340,650. The Company shall be liable for its liabilities to the extent of the value of all of its assets. Shareholders assume liability towards the Company to the extent of the paid-up amount of the shares they hold.

**Article 22** The Company may, as required by its operation and development, increase its capital in accordance with the relevant provisions of these Articles of Association. The Company may increase its capital by way of:

- (1) offering new shares to non-specified investors;
- (2) placing new shares to existing shareholders;
- (3) bonus issues of new shares to existing shareholders;
- (4) converting the surplus reserve into its capital; or
- (5) other methods as permitted under laws and regulations and by CSRC.

The Company's increase of capital by issuing new shares shall seek approval pursuant to the provisions of these Articles of Association and then be handled in accordance with procedures as required by the relevant laws and administrative regulations of the PRC.

**Article 23** Shares held by the promoters of the Company shall not be transferred within one year from the date of establishment of the Company. Shares issued by the Company before the share offering shall not be transferred within one year from the date on which the shares of the Company are listed on a stock exchange.

Directors, supervisors and senior management of the Company shall declare their shareholdings in the Company and the changes therein to the Company; and shall not transfer more than 25% of their shareholdings in the Company during their respective term of office or transfer their shares within one year from the date on which the shares of the Company are listed on a stock exchange. The aforesaid persons shall not transfer their shares in the Company within half a year after leaving their offices.

In the event that any director, supervisor or senior management of the Company or any person who holds more than 5% of the shares in the Company sells the Company's shares within six months after the acquisition of the same or repurchases the Company's shares within six months after sale of the same, any proceed arising therefrom shall be attributed to the Company and the Company's board of directors shall retrieve such proceed. In the case that the board of directors fails to comply with the requirements under this paragraph, the responsible director(s) shall assume joint liability according to the law.

In the case that the Board of fails to comply with the requirements under the aforesaid paragraph, a shareholder shall have the right to request the Board to comply within thirty days. In case of the Board of fails to comply with the same within the aforesaid period, such shareholder shall have the right to institute a legal proceeding directly with the people's court in its own name for the benefit of the Company.

Unless otherwise required by the laws, administrative regulations and these Articles of Association, the shares of the Company may be freely transferred free from any lien. The Company shall not accept its shares being held as security under a pledge.

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

**Article 24** The Company may reduce its registered capital pursuant to the provisions of these Articles of Association.

**Article 25** In case of reduction of registered capital of the Company, a balance sheet and assets list shall be formulated and procedures as required by the Company Law and the provisions of other relevant regulations and these Articles of Association shall be complied with.

The Company shall notify its creditors within 10 days from the date of passing of the resolution for the reduction of registered capital and shall publish a notice at least three times in a newspaper within 30 days thereof. The creditors who have received the said notice have the right within 30 days from the date of receiving the notice, and the creditors who are not given such notice have the right within 90 days from the date of the notice was first published in a newspaper, to demand the Company to settle the debt or to provide corresponding indemnity over the debt.

The registered capital shall not be less than the statutory minimum amount after the reduction of capital.

**Article 26** Under the following circumstances, the Company may repurchase its shares issued on the market subject to a resolution passed in accordance with the provisions of these Articles of Association and the approval by the relevant authority of the State:

- (1) cancellation of shares for the purpose of reduction of the Company's capital;
- (2) merger with another company which holds the Company's shares;
- (3) distribution of shares to employees as an incentive;
- (4) request from shareholders who object to a resolution of a general meeting of shareholders on merger or division of the Company for the Company to acquire their shares; and
- (5) other circumstances permitted by laws and administrative regulations.

Save for the above, the Company shall not purchase its shares.

**Article 27** The Company may, upon approval by the relevant PRC regulatory authority, repurchase its shares by one of the following ways:

- (1) offer for repurchase of shares to all shareholders in equal proportions;
- (2) repurchase of shares through open transactions on a stock exchange;
- (3) repurchase of shares through off-market agreements outside a stock exchange; and
- (4) repurchase of shares in other methods as recognized by CSRC.

**Article 28** A repurchase of shares by the Company for reasons as stated in items (1) through (3) of Articles 27 of these Articles of Association, the Company shall subject to prior approval of the general meeting of shareholders in accordance with the provisions of these Articles of Associations. Subject to the prior approval of the general meeting of shareholders in the same manner, the Company may discharge or change a contract entered into in the aforesaid methods or may waive any rights in such contract.

The contract to repurchase shares referred to above includes but not limited to such agreement for the commitment to fulfil the obligations of share repurchase and acquisition of the rights to repurchase shares.

The Company is not allowed to transfer the contracts for the repurchase of its shares or any rights under such contracts.

**Article 29** In the event that any repurchase of shares by the Company pursuant to the laws and Article 26 hereof, shares acquired under a repurchase of shares under the circumstances stipulated in item (1) of Article 26 hereof shall be cancelled within ten days from the date of acquisition thereof while shares acquired under a repurchase of shares made under the circumstances stipulated in items (2) and (4) of Article 26 hereof shall be transferred or cancelled within six months and change of registration of registered capital shall be proceeded with the Company's original registration authority.



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

The shares acquired under a repurchase of shares made by the Company in accordance with the provisions of item (3) of Article 26 hereof shall not exceed 5% of the issued share capital of the Company. Funds used for the acquisition shall be paid out from the profit after tax of the Company and the acquired shares shall be transferred to employees within one year.

**Article 30** Unless the Company is in the process of liquidation, the repurchase of issued shares by the Company is subject to the following provisions:

- (1) if the shares are repurchased at nominal value, payment shall be made out of the balance of the distributable profits in the books of the Company and from the proceeds of a new issue of shares for the purpose of the repurchase of issued shares;
- (2) if the shares are repurchased at a premium, part of the consideration equivalent to the nominal value of the shares may be paid out of the balance of the distributable profits in the books of the Company and from the proceeds of a new issue of shares for the purpose of repurchase of issued shares. The remaining part of consideration in excess of the nominal value shall be paid in the following manners:
  1. if the repurchased shares were issued at nominal value, payment shall be made out of the balance of distributable profits in the books of the Company;
  2. if the repurchased shares were issued at a premium, payment shall be made out of the balance of distributable profits in the books of the Company and from the proceeds of a new issue of shares for the purpose of repurchase of issued shares provided that, the amount paid out of the proceeds of a new issue of shares shall not exceed the aggregate of premium received on the issue of the shares repurchased, nor shall not exceed the amount of share premium account (or capital surplus reserve fund account) of the Company at the time of such repurchase (including the amount of the premium received on a new issue of shares);
- (3) the payment for the following shall be made out of the distributable profits of the Company:
  1. to acquire rights to repurchase its shares;
  2. to amend the agreement; for the repurchase of its shares;
  3. to release any of its obligations under the repurchase agreement.
- (4) after the registered capital of the Company has been reduced by the total nominal amount of the shares so cancelled in accordance with relevant provisions, the amount which has been deducted from the distributable profits and used for the payment of part of consideration equivalent to the nominal value of the shares shall be credited to the capital surplus reserve account of the Company.

## Chapter 5 Financial Assistance for the Repurchase of the Shares of the Company

**Article 31** The Company (including its subsidiary(ies)) shall not at any time provide any financial assistance in any way (including in the forms of gift, monetary advancement, guarantee, compensation or loan etc.) to any person acquiring or proposing to acquire shares in the Company including those who have assumed, directly or indirectly, liability for the purpose of acquiring the shares of the Company.

No financial assistance shall be provided at any time and in any manner by the Company and its subsidiaries to reduce the said obligor's obligation or release the said obligor from the same.

The provision hereunder is not applicable to the circumstances as set out in Article 33.

**Article 32** The financial assistance referred herein includes (but not limited to) the following:

- (1) gift;
- (2) guarantee (including provision by the guarantor of an undertaking or property to secure the performance of obligations by the obligor), indemnity (other than an indemnity in respect of the Company's own default) or a release or waiver of rights;
- (3) provision of loan or entering into a contract under which the obligations of the Company are to be fulfilled before the obligations of another party to the contract, changes of the parties to the loan or the contract and transfer of rights under such loan or such contract;
- (4) financial assistance given by the Company in any form when the Company is insolvent or has no net assets or when its net assets would thereby materially be reduced, the undertakings of obligations referred herein include the undertaking of obligations by the obligor under a contract or an arrangement (whether the contract or the arrangement is enforceable or the obligations are undertaken individually or jointly with others) or changes in the financial position in any manner.

**Article 33** The following activities are not deemed to be prohibited under Article 31 of the Articles of Association:

- (1) the provision of financial assistance is in good faith in the interests of the Company and the main purpose of which is not for acquisition of shares in the Company, or the provision of which the assistance is an incidental part of a master plan of the Company;
- (2) lawful distribution of the assets of the Company by way of dividends;
- (3) the allotment of bonus shares as dividends;
- (4) a reduction of registered capital, repurchase of shares, or adjustment of shareholding structure effected in accordance with the Articles of Association;

- (5) the lending of money by the Company in the ordinary course of its business where the lending of money is part of its business (only if the Company has net assets which are not thereby reduced or if those assets so reduced, the financial assistance is provided out of the distributable profits of the Company);
- (6) the contribution by the Company to the share option scheme for employees (only if the Company has net assets which are not thereby reduced or if those assets so reduced, the financial assistance is provided out of the distributable profits of the Company).

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

**Article 34** The shares certificates of the Company are issued in registered form.

The share certificates of the Company shall contain the particulars as required by the “Company Law”, and any other items as required by any stock exchange on which the shares of the Company are listed.

**Article 35** Share certificates shall be signed by the chairman of the Board. If the stock exchange on which the Company’s shares are listed registers the signature of other senior officers of the Company, the share certificates shall also be signed by other relevant senior officers. The share certificates come into effect upon the seal of the Company having been affixed or printed thereon. The affixation of the Company seal on the share certificates has to be made under the authority of the Board. The signatures of the chairman or any other senior officers of the Company may be affixed to the share certificates by mechanical means.

**Article 36** The Company shall maintain a register of shareholders base on the information furnished by the registrar. Shareholders enjoy rights and have obligations according to the class of shares held by them. Shareholders holding shares of the same class enjoy equal rights and have equal obligations.

The register of shares shall contain the following information:

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

The register of shareholders shall be sufficient evidence of the holdings of the share for the company by the shareholders’ unless there is any contrary evidence to the contrary.

**Article 37** The Company may, in accordance with the understanding or agreement reached between the competent securities authorities under the State Council and overseas securities regulatory authorities, keep the register of shareholders for the overseas listed foreign investment shares outside the PRC and shall appoint overseas agencies to maintain such register. The original register of shareholders for overseas listed foreign investment shares which are listed in Hong Kong is maintained in Hong Kong.

Copies of the register of shareholders for overseas listed foreign investment shares shall be kept at the Company's legal address. Appointed overseas agencies shall from time to time maintain the consistency of the original register of shareholders for overseas listed foreign investment shares and the copies thereof.

Where there is any inconsistency between the original register of shareholders of overseas listed foreign investment shares and the copies thereof, the original register shall prevail.

**Article 38** The Company shall maintain a complete register of shareholders. The register of shareholders shall contain the followings:

- (1) register of shareholders other than those provided in paragraphs (2) and (3) below shall be kept at the Company's legal address;
- (2) register of shareholders for overseas listed foreign investment shares kept at the place where the overseas stock exchange in which those shares are listed is located;
- (3) register of shareholders maintained in other place(s) as the Board thinks fit for the purpose of listing the shares of the Company.

**Article 39** Different parts of the register of shareholders shall not overlap. No transfer of any shares registered in any part of the register of shareholders is allowed to be registered in any other part of the register of shareholders during the continuance of that registration.

Changes or rectifications to any part of the register of shareholders shall be made in accordance with the laws of the jurisdiction in which the register is kept.

All the fully paid up overseas listed foreign investment shares listed in Hong Kong are freely transferable pursuant to these Articles of Association. However, the Board may refuse to recognize any instrument of transfer without giving any reason thereof, unless:

- (1) a fee of HKD 2.5 or a higher fee as determined by The Stock Exchange of Hong Kong Limited has been paid to the Company for the registration of the instrument of transfer or any other documents relating to or affecting the ownership of any share;
- (2) the instrument of transfer is in respect of only overseas listed foreign investment shares listed in Hong Kong;
- (3) the instrument of transfer is duly and properly stamped;

- (4) relevant share certificates and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer have been presented;
- (5) the number of joint holders shall not exceed four if the shares are transferred to joint holders;
- (6) the shares are transferred free from any lien to the Company.

**Article 40** No change of registration in shareholder register for any share transfer shall be made within 30 days preceding the date of the general meeting or 5 days preceding the date on which the Company determines the basis of dividend distribution.

**Article 41** In the event that the Company convenes a general meeting, distributes dividend, liquidates or carries out any other acts requiring the confirmation of shareholdings, the Board should determine a day as the record date for the purpose of determining shareholdings, and the shareholders whose names are in the register of shareholders at the end of the record date shall be the shareholders of the Company.

**Article 42** In the event that a person disagrees to the register of shareholders and demands to have his/her name registered on or deleted from the same may apply to the court of competent jurisdiction for the rectification of the register of shareholders.

**Article 43** If the individual who has his/her name registered or requests to have his/her name registered on the register of shareholders loses his/her share certificate (i.e. the “original share certificate”), (s)he may apply to the Company for issuing a replacement share certificate representing the same shares (i.e. “related shares”). In the event that a shareholder of domestic shares loses his/her share certificate(s) and applies for issuing replacement share certificate(s), (s)he should follow the procedures as stipulated in Rule 150 of the “Company Law”.

In the event that a shareholder of overseas listed foreign investment shares loses his/her share certificate(s) and applies for issuing replacement share certificate(s), (s)he should follow the procedures as required by the laws, regulations of the stock exchange or any other related rules in the place where the register of shareholders for such overseas listed foreign investment shares is kept.

In the event that a shareholder of the Company’s overseas listed foreign investment shares listed in Hong Kong (H shares) loses his/her share certificate(s) and applies for issuing replacement share certificate(s), such issue shall be subject to the following conditions:

- (1) An applicant is required to lodge his/her application in standard form as specified by the Company with a notarisation or a statutory declaration. A notarisation or a statutory declaration shall include the reasons of the application, the details and evidences for the loss of the share certificates, and the declaration to state that no other persons are entitled to be registered as shareholders of the same shares.

- (2) The Company has not received, prior to the Company's decision for the issue of replacement share certificates, any declaration from any person(s) other than the applicant to request to be registered as the shareholder of the same shares.
- (3) Once the Company decides to issue replacement share certificates to the applicant, a press announcement on the issue of the same will be published on a newspaper specified by the Board. The announcement should be published at least once every 30 days during a period of 90 days.
- (4) The Company is required, prior to the publication of the announcement on the issue of replacement share certificates, to deliver to the stock exchange on which its shares are listed a copy of the same announcement. The announcement is allowed to be published once the Company has received the confirmation of the stock exchange that the same has been shown on the stock exchange. The announcement required should be posted on the stock exchange for 90 days. If the application for the issue of replacement share certificates has not been approved by the registered shareholder of same shares, the Company shall send to such shareholder a copy of the announcement to be published.
- (5) If the Company has not received any objection from any person in respect of the issue of replacement share certificates upon the expiration of the 90 days period for the posting of the announcement as required in paragraphs (3) and (4) of this Article, the Company may issue replacement share certificates according to the application of the applicant.
- (6) The Company is required to cancel the original share certificates immediately once the replacement share certificates are issued, and enter the cancellation and the issue into the register of shareholders as required by this Article.
- (7) The applicant shall bear all the cost incurred to the Company relating to and in connection with the cancellation of the original share certificates and the issue of replacement share certificates. The Company has the right to refuse to take any action until reasonable guarantees being provided by the applicant.

**Article 44** Upon the issue of replacement share certificates by the Company according to the provisions of this Articles of Association, the names of the bona fide purchasers who have acquired such new share certificates and the shareholders (if they are bona fide purchasers) who have been subsequently registered as holders of the same shares are not allowed to be deleted from the register of shareholders.

**Article 45** The Company is not liable to compensate for any losses incurred by any person as a result of the cancellation of the original share certificates or the issue of the replacement share certificates, unless such person is able to prove that there is fraud on the part of the Company.

## Chapter 7 Rights and Obligations of Shareholders

**Article 46** The shareholders of the Company are those who lawfully hold the shares of the Company and have their names registered in the register of shareholders. The shareholders enjoy the rights and assume the obligations according to the class and the number of the shares held by them. The shareholders holding the same class of shares enjoy the same rights and assume the same obligations.

**Article 47** Holders of ordinary shares of the Company shall enjoy the following rights:

- (1) to request, convene, chair, attend or appoint proxies to attend general meeting of shareholders and to exercise voting rights in accordance with laws;
- (2) to receive dividends and other forms of distribution of interest in proportion to their respective shareholdings;
- (3) to supervise the management of the business operations of the Company and to make recommendations and interrogations;
- (4) to transfer, give or pledge shares held by them in accordance with laws, administrative regulations of the State and these Articles of Association;
- (5) to enjoy the rights of access, participation and decision on material matters as stipulated by laws, administrative regulations and these Articles of Association;
- (6) to obtain relevant information in accordance with the provisions of these Articles of Association including:
  1. a set of these Articles of Association upon payment of a fee covering the cost;
  2. the rights to inspect and obtain photocopy(ies) of the following information upon payment of a reasonable charge:
    - (i) all parts of the register of shareholders;
    - (ii) personal particulars of directors, supervisors, managers and other senior management personnel, including:
      - (a) present and former forename, surname and alias;
      - (b) principal address (residence);
      - (c) nationality;
      - (d) full-time and all other part-time occupations and duties; and
      - (e) identity document(s) and the number(s) thereof.

- (iii) details of the Company's share capital and stub(s) of the Company's debenture(s);
  - (iv) reports showing the nominal value, the number, the maximum and minimum price paid in respect of each class of shares repurchase since the end of the last financial year, and the aggregate amount paid by the Company for such shares; and
  - (v) minutes of general meeting of shareholders, resolutions of meetings of the Board, resolutions of meetings of the supervisors and financial statements.
3. any shareholder requesting for inspection of the relevant information as set forth in the preceding paragraph or for obtaining information shall furnish with the Company written document evidencing the class and quantity of shares it holds in the Company and the Company shall comply with such shareholder's request upon verification of its shareholder capacity.
- (7) upon termination of liquidation of the Company, the right to participate in the distribution of the Company's remaining assets in proportion to their shareholdings;
  - (8) request from shareholders who object to a resolution of a general meeting of shareholders on merger or division of the Company for the Company to acquire their shares; and
  - (9) other rights conferred by laws, administrative regulations and these Articles of Association.

**Article 48** In the event of violation of laws, administrative regulations or the provisions under these Articles of Association by a director or senior management personnel in performing his duties resulting loss suffered by the Company, the shareholders that solely or collectively hold 1% or more shares of the Company for a continuous period of 180 days have the right to make written request to the supervisory committee to file a litigation with a people's court. In the event of violation of laws, administrative regulations or the provisions under these Articles of Association by the supervisory committee in performing its duties that has led to loss and damage suffered by the Company for a continuous period of 180 days, the shareholders have the right to make written request to the Board to file a litigation with a people's court.

Upon receipt of the written request by the shareholders as stipulated in the preceding paragraph, in case the supervisory committee and/or the Board refuses to file a litigation or fails to file a litigation within 30 days from receipt of such request, or under urgent circumstances that failure in filing a litigation immediately, the Company will suffer from irreparable damages, the aforesaid shareholders shall have the right to file a litigation with a people's court directly in their own name for protection of the Company's interests.

In the event that any person infringes the legal interests of the Company causing losses to the Company, the shareholders specified in the first paragraph may file a litigation with a people's court in accordance with the provisions of the preceding two paragraphs.



**Article 49** In the event of violation of laws, administrative regulations or the provisions under these Articles of Association by a director or senior management personnel in performing his duties resulting damage to the shareholders' interest, the shareholders may file a litigation with a people's court.

**Article 50** Shareholders of the Company shall assume the following obligations:

- (1) to comply with laws, administrative regulations and these Articles of Association;
- (2) to pay subscription moneys for the shares subscribed in accordance with the agreed manner of payment;
- (3) not to abuse their shareholders' rights to cause damage to the interests of the Company or other shareholders; not to abuse the independent legal person status of the Company and limited liability of the shareholders to cause damage to the interests of the creditors of the Company;

shareholders of the Company who abuse their shareholders' rights and cause the Company or other shareholders to suffer damages shall bear compensation liability in accordance with laws;

shareholders of the Company who abuse the independent legal person status of the Company and limited liability of shareholders to evade debts and cause damage to the interests of the creditors of the Company shall bear joint liability for the Company's debt.

- (4) may not withdraw share subscription from the Company unless otherwise stipulated by laws and regulations; and
- (5) to undertake further obligations imposed by laws, administrative regulations and these Articles of Association. A shareholder is not liable to make further contribution to the share capital other than as agreed by the subscriber of the relevant shares on subscription.

**Article 51** 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 shall not exercise his voting rights in a manner prejudicial to the interests of all or part of the shareholders and shall be liable for indemnify the Company for losses arising therefrom in case of violation of such requirement.

- (1) to relieve a director or supervisor of his duty to act in good faith in the best interest of the Company;
- (2) to approve the expropriation by a director or supervisor (for the benefit of his own or of another person), in any manner, of the Company's assets, including but not limited to, opportunities to the Company;
- (3) to approve the expropriation by a director or supervisor (for the benefit of his own or of another person) of the personal rights of other shareholders, including but not limited to, rights to distributions and voting rights, save and except for a corporate restructuring of the Company submitted to and approved by the general meeting of shareholders in accordance with these Articles of Association.

**Article 52** A controlling shareholder as mentioned in the foregoing Articles means a person who satisfies any one of the following conditions:

- (1) he alone or acting in concert with others has the power to elect more than half of the directors;
- (2) he alone or acting in concert with others has the power to exercise more than 30% (inclusive) of the voting rights in the Company or control the exercise of more than 30% (inclusive) of the voting rights in the Company;
- (3) he alone or acting in concert with others holds more than 30% (inclusive) of the issued shares of the Company; or
- (4) he alone or acting in concert with others has de facto control of the Company in any other manner.

**Article 53** The controlling shareholders and/or the actual controlling party of the Company shall not use their relationship to cause damage to the Company's interests and shall be liable for indemnity in case of violation of such requirements.

The controlling shareholders and the actual controlling party of the Company own duties to the Company and to public shareholders. The controlling shareholders shall exercise their rights as investors in strict compliance with laws. The controlling shareholders may not cause damage to the lawful interests of the Company and the public shareholders by way of connected transactions, profit distribution, assets restructuring, foreign investment, capital appropriation and guarantee for loans etc. and shall not cause damage to the interests of the Company and the public shareholders by taking advantage of its controlling status.

The directors, supervisors and senior officers of the Company have the obligation to protect the capital of the Company from being appropriated by the controlling shareholder. In the case that either the directors or senior management of the Company assists or connives the controlling shareholder or his subsidiaries in misappropriating the assets of the Company, the Board has the power to take disciplinary action against the directly responsible person and remove the director who holds serious responsibilities depending on the security of the case. In the case that the controlling shareholder of the Company misappropriates the assets of the Company, including but not limited to, the capital of the Company, the Board has the power to immediately apply to the People's Court in the name of the Company to legally freeze the assets of the Company so appropriated and the shares of the Company held by the controlling shareholder. In the case that the controlling shareholder is unable to make any restitution or cash compensation for any assets of the Company misappropriated by him, the Company is entitled to a compensation from the controlling shareholder for the misappropriated assets of the Company by realizing the shares of the Company held by him in accordance with the provisions and procedures of the relevant laws, rules and regulations.

## Chapter 8 General Meeting

**Article 54** The general meeting is the source of authority of the Company and exercises its powers according to the laws.

**Article 55** The general meeting of shareholders shall exercise the following functions and powers:

- (1) to decide on the Company's direction of operation and investment plans;
- (2) to elect and replace directors and to decide matters relating to the remuneration of directors;
- (3) to elect and replace supervisors who are the shareholders' representatives and to decide matters relating to the remuneration of supervisors;
- (4) to consider and approve reports of the Board;
- (5) to consider and approve reports of the supervisory committee;
- (6) to consider and approve the Company's annual financial budget and final accounts;
- (7) to consider and approve the Company's profit distribution proposals and loss recovery proposals;
- (8) to resolve on the increase or reduction of the Company's registered capital;
- (9) to resolve on matters such as merger, division, dissolution or liquidation of the Company;
- (10) to resolve on issuance of debenture by the Company;
- (11) to resolve on the appointment, removal or non-renewal of the services of an accounting firm for the Company;
- (12) to amend these Articles of Association;
- (13) to consider any proposals made by shareholders representing more than 5% (inclusive) of the voting rights of the Company;
- (14) to consider the material acquisition, sale or replacement of assets of the Company (in the standard as confirmed by the rules of the stock exchange where the Company's shares are listed);
- (15) matters that may be delegated to the Board through authorization or entrustment granted by a general meeting of shareholders of the Company;

The authorization or entrustment granted to the Board for handling matters as authorised or entrusted by a general meeting of shareholders of the Company shall be in compliance with the requirements of maintaining the legal interests of the Company's shareholders and in strict compliance with laws and regulations to safeguard the Company's principles of efficient operation and scientific decision. The following matters may be delegated by the Board through authorization or entrustment:

1. amendment of wordings of these Articles of Association upon passing of a resolution for amendment of these Articles of Association by a general meeting of shareholders;
2. distribution of interim dividends;
3. specific matters involving issuance of new shares or convertible debenture;
4. disposal, mortgage and guarantee on fixed assets as set forth in an approved direction of operation and investment plan; and
5. other matters may be delegated by the Board through authorization or entrustment as stipulated by laws, regulations and these Articles of Association.

(16) to consider matters relating to guarantee as stipulated under Article 56 hereof;

(17) to consider matters relating to the Company's purchase and sale of material assets exceeding 30% of the latest audited total assets;

(18) to consider matters relating to change of purpose for fund raising;

(19) to consider share incentive scheme; and

(20) other matters which are required by laws, administrative regulations and these Articles of Association to be adopted by way of resolutions by the general meeting of shareholders.

**Article 56** The following guarantees made to outsiders by the Company shall be approved and passed in a general meeting of shareholders:

- (1) a guarantee made to outsiders by the Company and its holding subsidiary with an aggregate amount reached or exceeding 50% of the latest audited net asset value;
- (2) a guarantee made to outsiders by the Company with an aggregate amount reached or exceeding 30% of the latest audited net asset value;
- (3) a guarantee made to a party whose ratio of assets and liabilities (gearing ratio) exceeding 70%;
- (4) a guarantee of the amount exceeding 10% of the latest audited net asset value; and
- (5) a guarantee made to a shareholder, the actual controlling party and/or their related party.

**Article 57** Unless the Company is under special circumstances such as a crisis, and with prior approval of the general meeting of shareholders, without approval by a special resolution by the general meeting of shareholders, the Company shall not enter into any contract with any person other than a director, supervisor, manager or other senior management personnel of the Company whereby the management of the whole of substantial part of the business of the Company is delegated to such person.

**Article 58** The general meeting of shareholders are divided into annual general meetings or extraordinary general meetings. The general meeting of shareholders shall be convened once a year and shall take place within six months after the end of the previous financial year.

The Board shall convene an extraordinary general meeting within two months from the date of actual occurrence of any one of the following circumstances:

- (1) the number of directors falls short of the number as stipulated by the Company Law or is less than two-thirds of the number as required by these Articles of Association;
- (2) the accrued losses of the Company amount to one-third of its aggregate share capital;
- (3) shareholders who hold 10% or more shares of the Company's issued shares make a written request to convene an extraordinary general meeting;
- (4) such meeting is considered necessary by the Board or proposed to be convened by the supervisory committee;
- (5) other circumstances as stipulated by laws, administrative regulations, departmental rules or these Articles of Association.

**Article 59** An independent director has the right to propose the Board to convene an extraordinary general meeting. In respect to the proposal by the independent director for convening an extraordinary general meeting, the Board shall, in accordance with the laws, administrative regulations and these Articles of Association, give a written reply as to whether agree or disagree with such proposal for convening an extraordinary general meeting within 10 days upon receipt of such proposal.

In the event that the Board agrees to convene an extraordinary general meeting, a notice for convening such meeting shall be given within 5 days after the resolutions of the Board is passed. In the event that the Board disagrees to convene an extraordinary general meeting, an explanation shall be given and an announcement shall be made.

**Article 60** Where the supervisory committee or shareholders decides to convene the general meeting of shareholders on its own initiative, it shall send out a written notice to the Board, and shall submit the records to the branch of CSRC where the Company is located and the stock exchange.

Prior to the announcement of the resolution of the general meeting of shareholders, the shareholdings of the shareholders convening the general meeting shall not be less than 10%.

Upon the notice and the announcement of resolution of the general meeting of shareholders, the shareholders convening the general meeting shall submit the relevant documentary information to the branch of CSRC where the Company is located and the stock exchange.

**Article 61** Where the general meeting of shareholders is convened by the supervisory committee or shareholders on its own initiative, the Board and its secretary shall work in a cooperative manner. The Board shall provide the register of shareholders prepared on the date of equity registration.

**Article 62** Where the general meeting of shareholders is convened by the supervisory committee or shareholders on its own initiative, the expenses necessary for the general meeting shall be borne by the Company.

**Article 63** The Company shall dispatch written notices of the general meeting to all registered shareholders 45 days before the date of general meeting informing them of the matters to be considered at and the date and venue of such meeting. Those shareholders who wish to attend the general meeting is required to return the written replies to the Company 20 days before the date of meeting.

**Article 64** After the convener dispatches the notice of general meeting of shareholders, such general meeting shall not be postponed without justifiable causes. Where the convention of such general meeting must be postponed for special reasons, the Company shall dispatch convening of postponement within at least two business days before the original date of such general meeting. The convener shall explain the reasons for the postponement and announce the date of postponed general meeting in the notice of postponement.

**Article 65** The contents of a proposal shall be within the terms of reference of the general meeting of shareholders, and have definite agenda and specific matters for resolution, and shall comply with the relevant provisions of the laws, administrative regulations and the Articles of Association of the Company.

**Article 66** Where the Company convenes an annual general meeting of the shareholders, the shareholders with 5% or more of the total voting rights of the Company shall be entitled to put forth a new proposal in writing to the Company. The Company shall dispatch supplemental notice of the general meeting within two days after receiving such proposal to announce the contents of such provisional proposal. Any matters contained in such proposal which are within the terms of reference of the general meeting of the shareholders shall be listed in the agenda of the meeting.

Saving as prescribed in the preceding provisions, subsequent to the notice of the general meeting of shareholders, the proposals already listed in the notice of the general meeting or the newly added proposals shall not be amended.

The general meeting of shareholders shall not vote on or pass a resolution for any proposal which is not listed in the notice of the general meeting or inconsistent with Article 65 of these Articles of Association.

**Article 67** The Company shall, based on the written replies received from the shareholders 20 days before the date of the general meeting, calculate the number of shares carrying the voting rights represented by the shareholders who wish to attend the meeting. If the number of shares carrying the voting rights represented by the shareholders who wish to attend the meeting reaches one-half or more of the Company's total shares carrying the voting rights, the Company may convene the general meeting. Otherwise, the Company shall within 5 days notify the shareholders again by public announcement of the matters to be considered at the meeting, the place and date of the meeting. The Company may then hold the general meeting after the publication of such announcement.

Those matters not stated in the notice of the meeting may not be decided at an extraordinary general meeting.

**Article 68** The notice of the shareholders' meeting shall satisfy the following requirements:

- (1) to be given in writing;
- (2) to specify the venue, date and time of the meeting;
- (3) to include any matter and proposal to be tabled at the meeting;
- (4) to provide to the shareholders the necessary information and explanation for the purpose of facilitating the shareholders to make sound decisions on the matters to be discussed; this principle shall include (but not limited to) the circumstances in which the Company shall provide the specific conditions and contract (if any) of a proposed transaction and a thorough explanation of the causes and consequences of such transaction when the Company proposes merger, share repurchase, capital restructuring or other reorganization;
- (5) to disclose the nature and extent of interest if any director, supervisor, manager and other senior management personnel has material interest in the matters to be discussed; and to explain the difference (if any) between the impact of the matters on such director, supervisor, manager and other senior management personnel as shareholder and the impact on the shareholders of the same class;
- (6) to contain the full text of any special resolution proposed to be passed at the meeting;
- (7) to specify in clear wordings that all shareholders are entitled to attend the general meeting, and that each of the shareholders entitled to attend and vote is also entitled to appoint in writing one or more than one proxy to attend and vote on his or her behalf; and such proxy may not be a shareholder;

- (8) to specify expressly the date and place for serving the power of attorney authorizing the proxy to vote;
- (9) to specify the date of equity registration of the shareholders who are entitled to attend the general meeting;
- (10) to contain the name and telephone number of the permanent contact person.

Where the Company convenes the general meeting and provides domestic shareholders the ways of voting such as internet or other means, the time and procedure of voting through internet or by other means and the matters to be deliberated shall be specified in the notice of general meeting. The time of voting through internet or other means shall be no earlier than 3:00 p.m. on the day before the live general meeting and no later than 9:30 a.m. on the day of the live general meeting, and shall be concluded no earlier than 3:00 p.m. on the day the live general meeting ends.

**Article 69** Where the general meeting of shareholders intends to discuss the election of directors or supervisors, the notice of convening the general meeting of shareholders shall fully disclose the detailed information on the candidates for directors or supervisors at least in the following aspects:

- (1) educational background, working experience, concurrent positions, and other personal information;
- (2) whether such candidate has any affiliation with the Company or its controlling shareholders and actual controllers;
- (3) the number of shares of the Company such candidate holds; and
- (4) whether such candidate has been subject to the punishment of the CSRC or any other relevant departments or the reprimand of the stock exchange.

Save for the directors or supervisors who are elected by way of cumulative voting system, a single proposal shall be put forward for each candidate for directors or supervisors.

**Article 70** Notices of a general meeting shall be dispatched to the shareholders (whether or not entitled to vote at the meeting), by hand or prepaid mail at their respective addresses as shown in the register of shareholders. For the holders of domestic shares, notices of a general meeting may also be given by way of public announcement.

The aforesaid public announcement is required to be published in one or more newspapers designated by the competent securities authorities under the State Council within a period between 45 to 50 days before the date of the meeting. Once published, all holders of domestic shares are deemed to have received the notice of the relevant general meeting.

**Article 71** The accidental omission to dispatch any such notice to, or the non-receipt of any such notice by, any person entitled to receive the same shall not invalidate that meeting or any resolutions passed thereat.



**Article 72** The Board of the Company or any other convener shall take necessary measures to guarantee the good order of the general meeting of shareholders, take measures to deter any act disturbing the general meeting, picking quarrels and provoking troubles or infringing the legal rights and interests of any shareholder, and shall report in a timely manner such act to the relevant department for investigation and punishment.

**Article 73** All shareholders or their agents already registered as at the date of equity registration shall be entitled to attend the general meetings of shareholders. Their voting rights shall be exercised in accordance with the relevant laws, regulations and these Articles of Association.

Any shareholder who is entitled to attend the general meeting of shareholders and vote may attend the general meeting of shareholders in person, or appoint one proxy or several proxies (who may not be shareholder) to attend or vote on the behalf of such shareholder.

**Article 74** Shareholder attending the general meeting in person shall present his or her identity card or other valid certificate or proof showing his or her identity, stock account certificate; proxy appointed by the shareholder shall present his or her identity card and power of attorney issued by the shareholder.

Corporate shareholder shall entrust the legal representative or its agent to attend the general meeting. Legal representative attending the general meeting shall present his or her identity card and valid proof showing the status of legal representative; the agent attending the general meeting shall present his or her identity card and a power of attorney in writing issued by the legal representative of the corporate shareholder in accordance with law.

**Article 75** A proxy is entitled to exercise the following rights pursuant to the appointment made by the appointing shareholder:

- (1) the same right as the shareholder to speak at the general meeting;
- (2) authority to demand or join in demanding a poll;
- (3) the right to vote by show of hands or on a poll; however, a proxy of a shareholder who has appointed more than one proxy may only vote on a poll.

Where any shareholder is required to abstain from voting or restricted to voting only for or only against a resolution, the vote cast by or on behalf of such shareholder in contravention of such requirement or restriction is deemed as invalid.

**Article 76** Shareholder shall authorize his or her proxy in writing, the power of attorney shall be signed by the proxy or the agent authorized in writing by the proxy. Where the proxy is a legal person, the chop of the legal person should be affixed, or the director or the agent officially entrusted shall sign such power of attorney.

The power of attorney issued by the shareholder authorizing his or her proxy to attend the general meeting should contain the following information:

- (1) name of the proxy;
- (2) whether such proxy has voting right or not;
- (3) separate direction as to affirmation, objection and veto to each matter to be discussed in the agenda of the general meeting;
- (4) issue date and validity period of the power of attorney;
- (5) signature (or chop) of the principal.

**Article 77** The instrument appointing a proxy shall be deposited at the Company's legal address or such other place as specified in the notice of meeting 24 hours before the time appointed for holding the meeting at which the instrument proposes to vote, or 24 hours before the time appointed for taking of poll.

Where such instrument is signed by a person under a power of attorney or other authority on behalf of the appointer, that power of attorney or other authority is required to be notarised.

A notarised copy of that power of attorney or other authority together with the instrument appointing a proxy is required to be deposited at the Company's legal address or such other place as specified in the notice of the meeting.

If the appointer is a corporation, the legal representative or such person who is authorized by the resolution of its Board or other governing body to act as its representative may attend the general meeting of the Company.

**Article 78** An instrument of proxy sent to a shareholder by the Board for use by him/her for appointing a proxy shall be in such form to enable the shareholder to freely instruct the proxy to vote in favour or against the related resolution(s), and to instruct separately in respect of each resolution dealing with business to be transacted at the meeting. Such a form shall contain a statement that in default of such instructions, the proxy of the shareholders may vote as he thinks fit.

**Article 79** A vote given by a proxy 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 power of authority under which the proxy was executed, or the transfer of the share in respect of which the proxy is given, provided that no notice in writing of such death, insanity, revocation or transfer as aforesaid has been received by the Company before the commencement of the meeting at which the proxy is used.

**Article 80** The register of attendees of the general meeting shall be prepared by the Company. Such register shall specify information such as the name of the persons (or units) attending the general meeting, identity card number, residential address, number of shares or voting shares held, name of the persons (or units) the proxy represents.

**Article 81** The convener and the legal counsel retained by the Company shall jointly verify the qualification of shareholder with the register of shareholders provided by the securities depository and clearing authority, and shall register the name of the shareholders as well as the number of their voting shares. Such registration shall be concluded prior to the announcement by the chairman of the general meeting the number of shareholders and their proxies attending the meeting and the total number of their voting shares.

**Article 82** The Company shall, on the condition that the meeting is validly and efficiently held, use all means and channels as far as conditions permit, including the use of modern information technology to provide a network voting platform to domestic shareholders in order to increase the participation of public shareholders at general meetings.

**Article 83** To effectively safeguard the interests of public shareholders, the Company may, if conditions permit, provide a network voting system for domestic shareholders to vote at general meetings. The Company shall provide a network voting platform for domestic shareholders to vote in relation to the matters set out in Article 79.

If a network voting platform is provided for domestic shareholders to vote at general meeting, all domestic shareholders whose names appeared in the register of the Company at the date of record of shareholders for the meeting are all entitled to vote via the network, provided that only one of the voting methods either in person, through the network or other ways shall be selected for the same shares.

Network voting for domestic shareholders at general meeting shall be implemented in accordance with relevant laws, regulations and provisions.

**Article 84** The Board, independent directors and eligible shareholders are entitled to solicit proxy from other shareholders in respect of voting rights at general meeting. Such solicitation of proxy shall be at nil consideration, and sufficient information shall be disclosed to the shareholder giving the proxy.

**Article 85** Resolutions of the general meeting are divided into ordinary resolutions and special resolutions.

An ordinary resolution of a general meeting shall be passed by half or more of the voting rights held by the shareholders (including proxies) present at the meeting.

A special resolution of a general meeting shall be passed by two-thirds or more of the voting rights held by the shareholders (including proxies) present at the meeting.

**Article 86** For the purpose of voting at a general meeting, a shareholder (including proxy) exercises his/her voting rights in accordance with the number of shares carrying voting rights represented by him. Each share has one vote.

**Article 87** A resolution put to the vote of a meeting is decided on a show of hands unless before or after the show of hands a poll is demanded by:

- (1) the chairman of the meeting;
- (2) at least two shareholders with voting rights or the proxies thereof;
- (3) one or more shareholders (including proxy) who, individually or together, hold an aggregate of more than 10% (inclusive) of shares carrying voting rights at such meeting.

Unless a poll is duly demanded, a declaration by the chairman of the general meeting that a resolution of the general meeting has been carried or not carried according to the result of the show of hands and an entry to that effect made in the minute book shall be final and conclusive evidence of the fact without the need of stating any proof of the votes for or against such resolution so passed or the ratio thereof.

The demand for a poll may be withdrawn by the person who makes it.

**Article 88** A poll demanded on the election of a chairman, or on a question of adjournment, shall be taken forthwith. A poll demanded on any other question shall be taken at such time as the chairman directs and the meeting may continue to transact other matters. The result of such poll are deemed as a resolution passed at such meeting.

**Article 89** On a poll, a shareholder (including proxy) entitled to two or more votes need not use all his votes or cast all the votes in the same way.

**Article 90** In the case of an equality of votes, whether a show of hands or a poll, the chairman of the meeting is entitled to a second vote.

**Article 91** The following matters require the approval of an ordinary resolution at a general meeting:

- (1) the working reports of the Board and the supervisory committee;
- (2) the plan for distribution of profits and the plan for making up losses prepared by the Board;
- (3) the removal of the members of the Board and the supervisory committee, their remuneration and method of payment;
- (4) annual financial budgets and statements of final accounts, balance sheet, income statement and other financial statements of the Company;

- (5) the provision by the Company of any security with an amount of over 10% of the net asset in the consolidated accounting statement for the latest accounting year in respect of the secured object which falls into the Company's standards;
- (6) any matters not otherwise required by the laws, administrative regulations or the Articles of Association to be passed by special resolutions.

**Article 92** The following matters shall be approved by passing of special resolution at the general meeting of shareholders:

- (1) increase or reduction of the Company's capital, issue of any type of shares, options and other similar types of securities;
- (2) issue of the Company's bonds;
- (3) separation, merger, dissolution and liquidation of the Company;
- (4) amendment to these Articles of Association;
- (5) purchase or sale of material assets by the Company within one year, or a guarantee amount exceeding 30% of the total assets in the most recent audit period of the Company;
- (6) share incentive scheme;
- (7) other matters as stipulated by laws, administrative regulations or these Articles of Association, and/or matters deemed by the general meeting by ordinary resolution to impose material effect on the Company and necessary for passing by special resolution.

**Article 93** Unless otherwise provided in the Articles of Association, the implementation or proposal of the following matters are subject to and conditional upon approval at general meeting of more than half of the voting rights casted by public shareholders:

- (i) issue of additional new shares to the public, issue of convertible debentures, share placement to existing shareholders (save for shares to be fully subscribed in cash by the ultimate controlling shareholder pursuant to undertaking made prior to the meeting);
- (ii) material asset restructuring of the Company, acquisition, total consideration of which is 20% or more of the audited net book value of the assets acquired;
- (iii) repayment of debts due to the Company by a shareholder by way of its equity interest in the Company;
- (iv) proposed overseas listing of a subsidiary of material significance to the Company; and

- (v) matter with significant impact on the interests of public shareholders in the course of the Company's operation.

In the announcement of the resolutions passed in respect of any of the abovementioned matters at general meeting, the Company shall set out the number of public shareholders that vote at the meeting, the total number of shares held by them, the percentage in the Company's shares held by the public and the voting result. The shareholdings and the votes casted by the top 10 public shareholders should also be disclosed.

In convening a general meeting to consider any of the above-mentioned matters, the Company shall provide domestic shareholders with voting by network voting platform.

**Article 94** Where any of the circumstances provided in Article 93 occurs, subsequent to the notice of the general meeting of shareholders, the Company shall give another notice of general meeting within three days after the date of equity registration

**Article 95** In the event that the shareholders or the Supervisory Committee request to convene an extraordinary general meeting or class meeting of shareholders, they shall observe the procedures as follows:

- (1) Two or more shareholders or the Supervisory Committee holding a total of more than 10% (comprising 10%) voting shares in the meeting proposed to be convened may request the Board to convene an extraordinary general meeting or class meeting of shareholders by signing one or a number of copies of written request with specified agenda of the proposed meeting and lodging them with the Board. Upon receipt of the aforesaid written request, the Board shall convene an extraordinary general meeting or class meeting of shareholders as soon as possible. The foresaid number of voting shares is calculated in accordance with the date on which the shareholders make the written request.
- (2) If the Board does not serve any notice convening such meeting within 30 days upon receipt of the aforesaid written request, the shareholders or Supervisory Committee lodging the request may convene the meeting within 4 months following the date of receipt of the request by the Board. The convening procedure shall be as similar as possible to that of the general meetings convened by the Board.

The reasonable cost incurred in convening and holding such meeting by the shareholders or the Supervisory Committee on their own by reason of not holding it by the Board upon the aforesaid request shall be borne by the Company and deducted from the payables of the Company to the negligent director(s) so involved.

**Article 96** Where matters relating to connected transactions are deliberated at the general meeting of shareholders, the connected shareholders should not participate in the voting, and the shares carrying the voting rights they represent shall not be counted in the total number of valid votes. The announcement of resolutions of the general meeting should fully disclose the voting status of the non-connected shareholders.

**Article 97** Subject to the guarantee that the general meeting shall be legal and valid, the Company shall afford all facilities to the shareholders attending the general meeting by all ways and means, including modern means of information technology such as voting platform on internet.

**Article 98** The name list of candidates for directors and supervisors shall be submitted by way of proposal to the general meeting for voting.

During voting at the general meeting on election of directors and supervisors, cumulative voting system may be implemented in accordance with the stipulations of these Articles of Association or the resolutions of the general meeting.

The “cumulative voting system” as in the foregoing means that each share has the number of voting right identical to the number of directors or supervisors to be elected, and the voting right owned by the shareholders may be cumulatively used when the general meeting elects the directors or supervisors. The Board shall announce to the shareholders the resume and basic information of the candidates for directors or supervisors.

**Article 99** Save for the cumulative voting system, the general meeting of shareholders shall vote on all proposals item by item, and shall vote on the proposals on in time sequence when various proposals are put forward for a single matter. Unless the general meeting of shareholders is suspended or no resolution can be passed due to force majeure or any other special reasons, the general meeting shall not set aside or cast no vote on the proposals.

**Article 100** The resolutions of the general meeting shall be announced in a timely manner, and the announcement shall indicate the number of shareholders and proxies attending the meeting, the total number of their shares and the proportion in the total shares carrying the voting rights of the Company, the voting method, the voting results of carrying the voting rights each proposal and detailed information of each resolution passed.

**Article 101** If a proposal is not passed or the general meeting of shareholders changes the resolutions of any previous general meeting, a special reminder shall be given in the announcement of the resolutions of the general meeting.

**Article 102** Where a proposal on election of relevant directors or supervisors is passed at the general meeting of shareholders, and the date the newly appointed directors or supervisors enter on their offices shall be the date on which the general meeting concluded.

**Article 103** Where the general meeting of shareholders passes the proposal on cash dividends, bonus shares or conversion of capital reserves into share capital, the Company shall implement specific scheme within two months upon the general meeting is concluded.

**Article 104** A general meeting shall be convened and presided by the chairman of the Board. Where the chairman of the Board is unable to attend the meeting for any reason, the general meeting shall be convened and presided by the vice chairman. Failing him, the Board may designate one of the directors of the Company to convene and preside such meeting on his behalf. Where no chairman has been designated, the shareholders present may elect one of their members to act as the chairman. If for any reason no chairman is elected by the shareholders, the shareholder (or proxy present) holding the majority of shares carrying the right to vote shall preside the meeting.

**Article 105** During the general meeting of shareholders, all directors and the secretary of the board of directors should attend the meeting, the managers and other senior management personnel shall also be present at the meeting.

The directors, supervisors, senior management personnel shall provide explanation and clarification to the inquiries and suggestions raised by the shareholders at the general meeting.

**Article 106** The Company shall formulate rules of proceedings of the general meeting of the shareholders to specify in details the convening and voting procedures of the general meeting, including notice, registration, deliberation of proposal, votes, vote counting, announcement of voting results, formation of resolutions, minutes and the signatures thereon, announcement, as well as the principles of authorization by the general meeting to the Board, the contents of such authorization shall be expressly specified.

**Article 107** At the annual general meeting, the board of directors and the supervisory committee shall report their respective work of the previous year to the general meeting of shareholders, and each independent director shall also make his duty report correspondingly.

**Article 108** The chairman of the general meeting shall, before voting, announce the number of shareholders and their proxies attending the meeting as well as the total number of their voting shares carrying the voting shares, and the number of shareholders and their proxies attending the meeting and the total number of their shares shall be subject to the registration of the general meeting.

The chairman shall decide whether a resolution of the general meeting should be passed, and such decision shall be final and be announced at the meeting and recorded in the minutes of the meeting.

**Article 109** If the chairman of the general meeting has any doubt as to the result of a resolution put to the vote at 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 objects to the result declared by the chairman of the meeting may demand a vote count immediately after the declaration of the result, and the chairman shall have the votes counted forthwith.

**Article 110** The method of vote counting by the general meeting and the vote counting results shall be recorded in the minutes of the meeting.



The minutes together with the valid information such as the attendance register of the attending shareholders and the power of attorney of their proxies, the votes cast by way of internet and by other means shall be kept at the legal address of the Company for a period of 10 years.

**Article 111** The chairman shall guarantee the truth, accuracy and completeness of the minutes of the meeting. The directors, supervisors, secretary to the Board, convener or their representative, chairman of the meeting shall sign on the minutes of the meeting. The minutes shall contain the following:

- (1) the time, venue, agenda of the meeting, and the name of the convener;
- (2) the name of the chairman of the meeting, the directors, supervisors, the secretary to the Board, managers and other senior management personnel attending or being present at the general meeting;
- (3) the numbers of domestic shareholders (including their proxies), overseas listed foreign investment shares shareholders (including their proxies), holders of tradable shares (including their proxies) and holders of non-tradable shares (including their proxies), the total number of their shares carrying the voting rights and the proportion in the total number of shares of the Company;
- (4) the process of deliberation of each proposal, the main points of speeches and the voting results (including the votes on each resolution by domestic shareholders, foreign shareholders, holders of tradable shares and holders of non-tradable shares);
- (5) the inquiries or suggestions of the shareholders as well as the corresponding replies or explanations;
- (6) the name of legal counsel, vote counters, and supervisors; and
- (7) other contents which shall be contained in the records of the meeting as prescribed by these Articles of Association.

**Article 112** A shareholder is entitled to inspect the copies of minutes free of charge during office hours of the Company. If a shareholder demands from the Company a copy of such minutes, the Company shall send to him/her the copy within 7 days after having received a reasonable charge.

**Article 113** The convener shall ensure that the continuity of the general meeting of shareholders until the final resolution is formed. Where the general meeting of Shareholders is suspended or no resolution can be made due to force majeure or any other special reasons, necessary measures shall be taken to resume or directly terminate the general meeting, and an announcement shall be made in a timely manner. Meanwhile, the convener shall report this to the branch CSRC at the place where the Company is located and the stock exchange.

**Article 114** Matters such the convening and voting procedures of the general meeting and the deliberation of proposal, including notice, registration, deliberation of proposal, votes, vote counting, announcement of voting results, formation of resolutions, minutes and the signatures thereon, announcement, as well as the principles of delegation by the general meeting to the Board, the contents of such delegation, and other matters which have not been stipulated by these Articles of Association, shall be performed in accordance with the relevant provisions of the Rules of Proceedings of the General Meeting of Shareholders of the Company.

## **Chapter 9 Special Procedures for the Voting by Different Classes of Shareholders**

**Article 115** Shareholders of different classes of shares are classified as class shareholders. Class shareholders have the rights and obligations pursuant to the provisions of the laws, administrative regulations and these Articles of Association.

**Article 116** Variations or abrogation of the rights conferred on a class of shareholders shall be approved by special resolution passed at general meeting and approved by holders of shares of that class at a class meeting convened in accordance with Articles 91 to 95.

**Article 117** The followings are considered as a variation or abrogation of the rights of class shareholders:

- (1) to increase or reduce the number of shares in that class of shares or to increase or reduce the number of shares in a class of shares which have rights on voting, distribution or other privileges equal or superior to that class of shares;
- (2) to exchange all or a portion of that class of shares for shares of another class, or to exchange all or a portion of the shares of another class for that class of shares or to grant the rights to exchange the same;
- (3) to cancel or reduce the rights to claiming all the accrued dividends or cumulative dividends of shares of that class of shares;
- (4) to reduce or cancel the preferential rights of that class of shares to claim the dividends or the preference to distribution of assets upon the liquidation of the Company;
- (5) to increase, cancel or reduce the rights to conversion of shares, options, voting rights, rights of transfer, pre-emptive rights and the rights to acquire the securities of the Company of that class of shares;
- (6) to cancel or reduce the rights to receive the monies payable by the Company in a particular currency of that class of shares;
- (7) to create a new class of shares which have the rights to voting, distribution or other privileges equal or superior to that class of shares;

- (8) to restrict or to impose more restrictions on the transfer or ownership of that class of shares;
- (9) to issue rights on subscription for or conversion of shares into that class of shares or another class of shares;
- (10) to increase the rights and privileges of another class of shares;
- (11) to re-structure the Company in such a way that different class shareholders will undertake disproportionate obligations under the restructuring;
- (12) to vary or abrogate the provisions of this chapter.

**Article 118** The classes of shareholders being affected, with or without voting rights at the general meeting of shareholders, shall have voting rights at the class meeting of shareholders in relation to matters specified in Articles 117(2) through (8), (11) through (12). However, shareholders having interest shall not have any voting rights at the class meeting of shareholders.

“Interested shareholder(s)” mentioned in the preceding paragraph means:

- (i) in the case of a repurchase of shares from all the shareholders in proportion to their arising shareholdings or by public purchases through the stock exchanges made in accordance with Article 27, interested shareholder refers to the controlling shareholder as defined under Article 50;
- (ii) in the case of a repurchase of shares under an off-market agreement made in accordance with Article 27; interested shareholder refers to the shareholder relating to that agreement;
- (iii) in the case of a restructuring of the Company, interested shareholder refers to a shareholder within a class who bears less than proportionate liabilities imposed on that class under the proposed restructuring or who has an interest in the proposed restructuring different from the interest of the shareholders of that class.

**Article 119** The resolutions of the class meeting of shareholders shall be passed only through voting by shareholders having more than two-thirds of equity interest with voting rights and attending such class meeting in accordance with Article 118.

**Article 120** The Company shall send to all registered shareholders of that class written notices of the class meeting 45 days before the date of class meeting of shareholders, informing them of the matters to be considered at and the date and venue of the class meeting. Those shareholders of the class who wish to attend the meeting shall return the written replies to the Company 20 days before the meeting.

Where the number of class shares held by those shareholders who wish to attend the meeting and have the right to vote thereat is more than half of the total number of shares of that class with the voting rights, the Company shall convene that class meeting, failing which the Company shall, within 5 days, inform the shareholders of the class again in the form of public announcement the proposed matters for consideration at and the date and venue of the class meeting. Class meeting may be convened after such notification.

**Article 121** The notices of class shareholders' meeting should be delivered only to the shareholders entitled to vote thereat. The class shareholders' meeting should be held in the procedures much the same as possible as those of the general meeting, and the procedures for holding a general meeting as set out in the Articles of Association of the Company apply to the class shareholders' meeting.

**Article 122** In accordance with the provisions under the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited, in addition to shareholders of other classes of shares, shareholders of domestic shares and overseas listed foreign investment shares are deemed to be different classes of shareholders.

The special procedures for approval by separate class shareholders shall not apply to the following circumstances:

- (1) where the Company issues domestic shares and overseas listed foreign investment shares upon approval by a special resolution at a general meeting and either separately or concurrently once every twelve months, and the number of domestic shares and overseas listed foreign investment shares so issued shall not exceed 20% of each of the then outstanding domestic shares and overseas listed foreign investment shares;
- (2) where the Company's plan to issue domestic shares and overseas listed foreign investment shares on its establishment is implemented within fifteen months from the date of approval by the Securities Commission of the State Council.

## **Chapter 10 The Board**

### **Section 1 The Board**

**Article 123** The Company set up the Board (the "Board"). The Board of Directors consists of nine directors, including one chairman and one vice chairman.

**Article 124** Directors shall be elected at the general meeting of shareholders, with a term of office of three years. Upon expiration of the term, the directors may be re-elected and serve consecutive terms.

The written notice of the intention of the nominees of the candidates for directors and of the acceptance by the candidates to be nominated shall be served on the Company seven days before the convening of the general meeting of shareholders.

Directors and deputy directors shall be elected or dismissed by a majority of the general body of directors. The term of office of directors and deputy directors shall be three years and they may be re-elected and serve consecutive terms.

Subject to the compliance of the provisions of the relevant laws and administrative regulations, the general meeting of the shareholders may dismiss by ordinary resolution any directors of whom the term of office has not expired (the claim for compensation under any contracts shall however be not affected). The term of directors shall commence on the date of entering on the office, and shall end on the date the term of the board of directors expires. Prior to the expiry of the term of a director, the general meeting of shareholders shall not dismiss the duties of such director without any reasons.

Where no new appointment is made upon expiry of the term of a director, the original director shall, prior to the new director entering on the office, continue to perform his or her duties as a director in accordance with the provisions of laws and administrative regulations and the Articles of Association of the Company.

Managers or other senior management personnel shall serve the office of director concurrently. However, the total number of directors serving the office of manager or other senior management personnel concurrently and labour union representative holding the office of director shall not exceed half of the total number of directors of the Company. Directors are not required to hold shares of the Company.

**Article 125** Where a director is unable to attend in person the general meeting of directors twice or has not entrusted other directors to attend, he or she shall be deemed as not performing his or her duties, and the Board shall recommend the general meeting of the shareholders to dismiss and replace such director.

**Article 126** Directors may resign before his or her term of office expires. Directors resigning shall submit notice of resignation in writing to the Board.

If the resignation of a director causes the number of directors constituting the Board to fall below the quorum, the original director shall, prior to the new director entering on the office, continue to perform his or her duties as a director in accordance with the provisions of laws and administrative regulations and the Articles of Association of the Company.

Save for the circumstances listed in the foregoing, the resignation of a director takes effect upon the notice of resignation is served.

**Article 127** Upon the resignation of a director takes effect or the expiry of the term of office, such director shall duly complete all handover. The fiduciary duties owed by the director to the Company and shareholders will not be released for certain before or within a reasonable period of time after the resignation takes effect. The obligation of confidentiality of such director in relation to the commercial secrets of the Company remains effective after the term of such director ends until such commercial secrets become public information. The continuity of other obligations shall be determined on the principle of fairness, and dependent on the length of time between the incident occurs and the resignation, as well as the conditions and circumstances under which the director terminates his or her relationship with the Company.

**Article 128** Without stipulation by these Articles of Association or legal authorization by the Board, no director shall in his or her own name act for the Company or the board of directors. Where a director acts in his or her own name but a third party reasonably believes that such director is acting for the Company or the Board, such director shall declare in advance his or her position and status.

**Article 129** The Board is accountable for the general meeting of the shareholders and shall exercise the following powers:

- (1) convention of general meetings of shareholders, and report to the general meetings;
- (2) implementation of the resolutions of the general meeting;
- (3) formulation of the business plan and investment scheme of the Company;
- (4) formulation of the annual financial budget and financial accounting policy of the Company;
- (5) formulation of the profit distribution policy and loss recovery policy of the Company;
- (6) formulation of the policy of increase or reduction of registered capital and the policy of issue of corporate bonds of the Company;
- (7) drafting of the policies of material corporate acquisition, acquisition of shares of the Company, or the merger, separation, dissolution and liquidation of the Company;
- (8) making decision on the establishment of internal management system in the Company;
- (9) employment or dismissal of the managers of the Company; on the basis of nomination, employment or dismissal of the assistant managers, person in charge of finance and other senior management personnel of the Company; making decision on their remuneration;
- (10) formulation of the basic management system of the Company;
- (11) formulation of the proposal on amendment of these Articles of Association;
- (12) making decision on external guarantee where the items guaranteed satisfying the conditions of the Company involves an amount of more than 10% (or 10%) of the net assets in the consolidated financial statements of the most recent fiscal year;
- (13) making decisions on matters such as external investment, acquisition and sale of assets, mortgaged assets, external guarantee, financial management by commission, connected transaction, within the scope of authorization by the general meeting of shareholders;
- (14) management of disclosure of information of the Company;

- (15) proposal to the general meeting of shareholders on employment or replacement of accounting firm responsible for auditing for the Company;
- (16) receiving the work report of the managers of the Company and checking the work of the managers;
- (17) other powers granted by these Articles of Association and the general meeting of shareholders.

When the Board makes resolutions on the aforesaid matters, saving for matters as set out in sections (6), (7), (11) and (12) which require consent by more than two thirds of directors through voting, the remaining matters may be approved by more than half of directors through voting.

**Article 130** The Board shall explain to the general meeting of shareholders regarding the advice issued by the chartered accountant in relation to the financial report of the Company.

**Article 131** The Board shall formulate the rules of proceedings of the Board, for the purpose of ensuring the implementation by the Board of the resolutions of the general meeting of shareholders, enhancing work efficiency, and guaranteeing scientific decision making.

The rules of proceedings of the Board shall provide for the convening of the meetings of Board and voting procedures.

**Article 132** For the disposal of fixed assets by the Board, in the event that the aggregate amount of the expected value of the proposed disposal of fixed assets and the value of the disposed fixed assets during the four months prior to this proposed disposal exceeds 33% of the value of fixed assets shown in the latest balance sheet as considered at the general meeting, the Board shall not dispose or agree to dispose of such fixed asset without obtaining approval at the general meeting.

The disposal of fixed assets as referred to in this Article includes the transfer of certain interests of assets but excludes the provision of fixed assets as security.

The validity of the transactions for the disposal of fixed assets conducted by the Company shall not be affected by the breach of section 1 of this Article.

**Article 133** Chairman of the Board shall exercise the following powers:

- (1) to preside the general meeting of shareholders, and to convene, preside the meetings of the board of directors;
- (2) to supervise and check the actual status of the board resolutions;
- (3) to sign the securities issued by the Company;
- (4) other duties assigned by the Board.

The vice chairman of the Board shall assist the Chairman. The chairman must exercise or perform his or her powers and duties, and may appoint one vice chairman to exercise powers on his or her behalf. Where a vice chairman is unable to or does not perform his or her duties, a majority of the directors may jointly elect one director to perform the duties.

**Article 134** Regular meetings of the Board are required to be held at least four times a year, to be convened and presided by the chairman (or any director authorized by the chairman). Notices of such meeting shall be issued to the directors through email, telegraph, fax, express mail, registered mail or in person 14 days before the date of such meeting. In the event of urgent matters, an extraordinary meeting of the Board may be convened at the proposal of one-third (inclusive) or more of the directors or the manager(s) of the Company.

Board meetings, in principle, are held at the Company's legal address. However, they may also be held at any other places in or outside of China as resolved by the Board.

**Article 135** Where it is necessary to convene a provisional meeting of board of directors, a notice shall be given to the general body of directors by e-mail, telephone, telegraph or facsimile at least 48 hours in advance.

Shareholders representing more than one-tenth of voting rights or more than one-third of directors, supervisors or managers of the Company may propose to convene a provisional meeting of Board. The chairman of the Board shall convene and preside a board meeting within ten days after receiving such proposal.

**Article 136** The meeting of Board shall be convened in the attendance of more than one half of directors.

Each director shall have one vote. Resolutions made by the Board must be passed by a majority of the general body of directors.

Where number of opposing votes and that of affirmative votes are the same, the chairman of the Board shall be entitled to have one vote.

No directors shall vote on any transaction in which he or she or his or her associates ("associate" is defined in accordance with the general statutory interpretation in the jurisdiction where the shares of the Company are listed) has or have material interest, and such directors nor exercise voting rights on behalf of other directors. Such directors shall not be counted in the number of attendees of the relevant meeting of the Board. Such Board meeting shall be convened in the attendance of a majority of non-connected directors. Resolutions made by the board meetings shall be approved by a majority of non-connected directors. Where there are less than three non-connected directors in a board meeting, any matters to be deliberated shall be submitted to the general meeting of shareholders.



**Article 137** Notice given in writing shall be in Chinese language. Such notice shall contain all information such as agenda, time and date, venue, period, cause, matters to be discussed of the meeting, and date of issue of such notice. If any director who attends the meeting but has not stated before or upon attendance the no notice of the meeting has been received, such director shall be deemed to have received the notice of the meeting.

**Article 138** The general meetings or extraordinary meetings of the Board can be held via teleconference or by means of any similar communication equipments. Directors are deemed as attending the meeting personally if the attending Directors are able to clearly hear what other Directors speak and communicate with each other.

**Article 139** The Board may consider and approve resolutions in written form instead of convening a Board meeting. Draft of such resolutions must be delivered to each director through email, mail, telegraph, fax or in person. The resolution so proposed will be passed as a resolution of the Board only after it is signed and approved by two-third or more of the Directors and delivered to the Secretary to the Board by one of the aforesaid means.

For any resolutions required to be passed by voting at an extraordinary board meetings, if the resolution to be passed is sent to all directors in writing (including email, telegraph or fax) and the number of directors who sign and approve such resolution meets the number of directors as required to make such decision in accordance with Article 131 of the Articles of Association of the Company, such resolution is deemed effectively passed and no Board meeting is required to be convened.

**Article 140** Directors shall attend any meeting of the Board in person. Where a director is unable to attend for some reasons, he or she may authorize in writing another director to attend the board meeting on his or her behalf. The instrument of proxy shall specify the name of the proxy, the matters to be authorized, scope of authorization and validity, and the proxy shall sign on or affix a chop to such instrument.

The director attending the meeting for another director shall exercise the rights of latter director within the scope of authorization. Any director who is unable to attend a particular board meeting without authorizing a proxy to attend shall be deemed as waiving the right to vote at that meeting.

**Article 141** Proceedings and voting procedures of meetings of the Board shall be in accordance with the Rules of Procedures for the Board of directors of the Company.

**Article 142** The Board shall cause the decisions on the matters discussed at the meeting to be recorded in the minutes with the signatures of the attending directors and the minutes-taker. The directors shall assume the liability of the resolutions of the Board. The directors who attend the meeting in which the resolution is passed shall assume liability of indemnification for any material loss caused to the Company arising from the breach of any laws, administrative regulations or the Articles of Associations by such resolutions of the Board. However, a director's liability may be waived if it is proved that such director has raised an objection to such resolution and such objection is recorded in the minutes of the meeting.

**Article 143** The minutes of the board of directors shall be kept as records of the Company for a period of ten years. Such minutes shall include the following:

- (1) date and venue of the meeting, and the name of the convener;
- (2) names of attending directors and the directors (or proxies) attending the board meeting on behalf of others;
- (3) agenda of the meeting;
- (4) main points of the speeches of the directors;
- (5) methods and results of voting of each resolution (voting results shall specify the number of affirmative, opposing or veto votes).

**Article 144** All resolutions of the board meeting shall be recorded and kept in Chinese language. The minutes of the meeting shall be given to all directors for review after each board meeting. Any director intending to make any amendment to the minutes shall propose his/her opinion in writing to the chairman within six working days upon his/her receipt of such minutes of meeting.

## **Section 2 Independent Director**

**Article 145** An independent director refers to a director who does not act in other capacities in the Company other than a director, and who does not have any relationship with the Company or its substantial shareholders who may affect the Director in making independent and objective judgement.

**Article 146** The Company shall appoint independent directors. The ratio of independent directors to the total number of directors in the Board of directors shall be no less than one-third. Under no circumstances shall there be less than three independent non-executive directors (independent directors shall satisfy the requirements of an independent non-executive director under the respective listing rules of The Shanghai Stock Exchange and The Stock Exchange of Hong Kong Limited). At least one of the independent directors should be a professional accountant with senior title or qualification as a certified public accountant.

**Article 147** Independent directors shall attend meetings of the Board, understand the production and operation of the Company, conduct active investigation to obtain the background and information required for decision-making. Independent directors shall submit an annual report of all independent directors to the annual general meeting of the Company, stating their performance of duties.

**Article 148** An independent director is required to meet the following basic requirements:

- (1) having the qualifications as a Director of a listed company as required by the laws, administrative regulations, listing rules of the stock exchange in which the Company's shares are listed and any other relevant rules;

- (2) satisfying the criteria of independence as stipulated in “Opinion of Guidance for Independent Director System of a Listed Company” issued by China Securities Regulatory Commission. Two of Independent Directors is also required to satisfy the criteria for independent non-executive directors as stipulated in The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
- (3) having basic knowledge on the operations of a listed company, and being familiar with relevant laws, administrative regulations and rules;
- (4) having more than five years’ working experience in the field of law or finance, or any other working experiences necessary for discharging the duties as an independent director;
- (5) meeting any other requirement as specified in these Articles of Association.

**Article 149** The following persons shall not act as an independent director of the Company:

- (1) any employees of the Company or its subsidiaries and his/her direct relatives and main social relations. Direct relatives include spouse, parents and children. Main social relations include brothers, sisters, parents-in-law, sons/daughters-in-law, spouses of brothers and sisters, brothers and sisters of spouse;
- (2) any person holding, directly or indirectly, 1% or above of the shares of the Company in issue or being a top 10 shareholder of the Company and his/her direct relatives;
- (3) an employee of an entity shareholder which directly or indirectly holds 5% or above of the shares of the Company in issue or an employee of a top 5 entity shareholder and his/her direct relatives;
- (4) any person who meets any of three criteria during the most recent year;
- (5) any person who provides financial, legal, consultation services for the Company or its subsidiaries;
- (6) any other person specified in the Articles of Association;
- (7) any other person as defined by the CSRC.

**Article 150** Independent director has obligations of good faith and due diligence to the Company and all shareholders. Independent director shall in accordance with the relevant laws, regulations and the Articles of Association perform his duties in a serious manner, safeguard the overall interests of the Company and, in particulars to ensure that the legal rights of the minority shareholders are not harmed.

An independent director shall carry out his duties independently without being influenced by substantial shareholder, de facto shareholder or any entity or individual having interested in the Company and its substantial shareholders or de facto shareholder, and shall ensure that he has sufficient time and energy to effectively carry out his duties.

In the event that an independent director fails to comply with the requirement of independence or in situations that an independent director fails to perform his duty in the capacity of an independent director and results in the inadequate number of independent directors as stipulated under the Articles of Association, the Company shall appoint the number of independent directors as required.

**Article 151** Nomination, election and change of independent directors

- (i) The Company's Board, supervisory committee, and shareholders who individually or jointly hold more than 1% of the issued shares of the Company, may nominate candidates to stand for election as independent directors at general meetings.
- (ii) The nominator of an independent director shall seek the consent of the nominee before nomination. The nominator shall fully understand the nominee's profession, educational background, professional title, detailed working experience, and details on any part-time posts, and shall give an opinion regarding the nominee's qualifications and independence in acting as independent director. The nominee shall declare that there is no relationship between the Company and himself/herself which may affect him/her in making independent and objective judgements. Before the general meeting at which election of independent directors is to be considered, the Board of the Company shall make an announcement in respect of the aforesaid details in accordance with the regulations.
- (iii) Before the general meeting is convened for the election of independent directors, the Company shall submit the Board's opinion in writing and particulars of all nominees to the CSRC, the local security authority where the Company is located and the stock exchange on which the Company's shares are listed. Where the Board holds a dissenting view in respect of the nominees, a written opinion shall be submitted concurrently. A nominee against whom a dissenting view is expressed by the CSRC may act as a candidate for a Director of the Company, but not as a candidate for independent director. During the election of independent directors at the general meeting, the Board of the Company shall explain whether the candidate for independent director has received a dissenting view from the CSRC.
- (iv) The term of office of an independent director is the same as that of any other Directors. An independent director may offer himself/herself for election upon retiring from office and may serve for another term not exceeding 6 years if (s)he has been so re-elected.
- (v) The Board shall propose to the general meeting to remove any independent director who is considered unable to perform his duties by reason that (s)he is consecutively fails to attend the Board meetings in person for 3 times. Except for the circumstances as mentioned above or any other circumstances which prohibit anyone from serving as Director as provided by the Company Law, no independent director may be removed without cause prior to the expiration of his/her term. The Company shall disclose its removal of an independent director prior to the expiration of his/her term of office as a special disclosable matter and give the reasons on such removal in details. The independent director who believes (s)he has been unjustifiably removed may make a public statement thereon.

- (vi) An independent director may resign before expiration of his term of office. An independent director shall tender his resignation in writing to the Board, providing any details which are related to his resignation or are necessary in his opinion to be brought to the attention of the shareholders and creditors of the Company. If the resignation of the independent director results in the percentage of independent directors in the Board or the members of the Board of directors falls below the statutory minimum or the requirement under the Articles of Association, the resignation shall become effective only upon the appointment of a replacement independent director. The Board shall convene a general meeting within two months to appoint independent directors. In the case that the Board of directors fails to convene a general meeting, independent directors may not continue to perform their duties.

**Article 152** Power and duties of independent directors

- (i) In order to exercise the function of an independent director, save for the power vested by the company law and other relevant laws, regulations and the Articles of Association, independent directors of the Company shall be vested with the following special power and duties:
1. any material connected transaction (refer to connected transactions entered into between the Company and any connected parties, the aggregate consideration of which is more than RMB3 million and more than 5% of the latest audited net asset value of the Company), shall first be approved by independent directors before being submitted to the Board of directors for discussion. Before making a judgement, independent directors can appoint intermediaries to prepare independent financial adviser's report as the basis for their judgement.
  2. propose to the Board for the appointment or removal of auditors;
  3. propose to the Board for convening an extraordinary general meeting;
  4. propose to convene Board meetings;
  5. appoint an independent external auditing firm or consultant firm;
  6. solicit proxies from shareholders before proposing to the Board for convening extraordinary general meeting or board meeting or before convening general meeting.
- (ii) Independent director shall obtain the consent of at least half of all independent directors to exercises the above power.
- (iii) Should the above proposal not be adopted or the above power not be exercised normally, the Company shall disclose the above matters.
- (iv) With the approval of all independent directors, an independent director may appoint independent external auditing firm or consultant firm to provide auditing or consulting services in respect of any particular events, and the relevant expenses incurred shall be borne by the Company.

- (v) Save for the power of directors and special power vested by the Company, an independent director shall abide by all provisions of these Articles of Association in respect of duties of a director.

**Article 153** Independent directors shall provide independent views on the significant events of the Company.

- (1) In addition to the performance of aforesaid duties, independent directors shall provide independent views to the Board or the general meetings in respect of the following matters:

1. nomination, appointment and removal of Directors;
2. employment or dismissal of senior management personnel;
3. remuneration of Directors and senior management personnel of the Company;
4. any existing or new loan or any other financial transaction between the Company's shareholders, de facto controlling person and related enterprises and the Company with the aggregate amount over RMB3 million or over 5% of the latest audited net assets value of the Company and whether the Company has adopted effective measures to recover outstanding amount;
5. any matters which may be to the detriment of the rights of medium and minority shareholders;
6. Nil cash distribution proposal recommended by the Board of directors;
7. external guarantee of the Company;
8. any other matters stipulated in the Company's Articles of Association.

- (2) Independent directors shall give one of the following opinions in respect of the aforesaid matters:

1. consent;
2. qualified opinion and its reason;
3. objection and its reason;
4. no comment and the restriction on making comments.

- (3) If the matters are disclosable, the Company shall also make public announcement on the independent directors' opinion. Where there are dissenting opinions among the independent directors, the Board shall disclose all independent directors' opinion separately.

**Article 154** To ensure that independent directors are in a position to exercise their powers effectively, the Company shall provide independent directors with the following essential conditions.

- (i) The Company shall ensure that independent directors have the same right to information as other directors, shall provide independent directors with relevant materials, information of its operation on a timely basis. On-site visits may also be arranged when necessary. The Company shall within statutory time inform independent directors in advance of matters to be considered by the Board and provide them with enough information. Should an independent director regards the information provided not sufficient, he may request supplementary information. Whenever two or more independent directors are of the opinion that the information provided is insufficient or the evidence is not explicit, they can jointly in writing request the Board of directors to postpone the convening of the board meeting or postpone consideration of that matter, and the Board shall accept accordingly. Information provided to independent directors by the Company shall be kept for at least 5 years by the Company and each independent director.
- (ii) The Company shall provide essential conditions to enable independent directors to discharge their duties. The secretary to the Board of the Company shall provide assistance to the independent directors to enable them to discharge their duties, and shall be responsible for liaison and coordination with the independent directors, including but not limited to giving explanation and providing information. The secretary to the Board of the Company shall arrange the publication of the announcement if the independent opinion, proposal and written explanation given by the independent directors shall be announced.
- (iii) The Company and relevant staff members shall actively assist independent directors in carrying out their functions and duties to ensure that they understand the true circumstances, and shall not refuse, obstruct or cover up facts, or interfere with the independent directors' carrying out of their functions and duties.
- (iv) Costs and expenses in respect of appointment of an intermediary organization by an independent director or incurred form an independent director's carrying out of his/her functions and duties shall be borne by the Company.
- (v) The Company shall provide appropriate subsidies to the independent directors. The standards of the subsidies shall be formulated by the Board, reviewed and passed at the general meeting and disclosed in the Company's annual reports.

Apart from the above subsidies, an independent director is not allowed to obtain other extra and undisclosed benefits from the Company and its major shareholders or organizations or people with a conflict of interests.

### **Section 3 Committees of the Board**

**Article 155** The Board of the Company sets up special committees pursuant to resolutions passed at general meetings. All special committees are comprised of Directors and convened by directors except the Strategic Development and Investment Committee. The majority of members of Audit Committee shall be independent non-executive directors, of whom at least one independent director shall be a professional accountant.

**Article 156** The committees of the Board may engage intermediary parties for the provision of professional advices and the relevant costs and expenses shall be borne by the Company.

**Article 157** The committees of the Board are accountable to the Board, and their respective proposals shall be submitted to the Board for consideration and approval.

**Article 158** The main duties of the Committees of the Board shall be performed in accordance with the relevant regulations stipulated in the Governance Rules for Listed Companies.

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

**Article 159** The Company shall have a secretary to the Board. The secretary to the Board shall be senior management personnel of the Company.

**Article 160** The secretary shall be a natural person with required professional knowledge and experience and appointed by the Board. The main duties of the secretary are to ensure:

- (1) the complete constitution documents and records of the Company;
- (2) the preparation and submission of required reports and documents to relevant authorities in accordance with the laws;
- (3) the proper maintenance of the register of shareholders of the Company and timely receipt of the records and documents of the Company by those who are entitled to receive the same;
- (4) the disclosure of the Company's information, including establishing information disclosure system, receiving visits, answering enquiries, contacting shareholders and providing investors with the Company's publicly disclosed information.

**Article 161** A Director and other senior officers of the Company may hold the office of the secretary to the Board concurrently. The accountants of the accounting' firm appointed by the Company shall not act as the secretary to the board.

Where the secretary to the Board is also a Director and an act is required to be done by a Director and the secretary separately, such person who is acting both as Director and the secretary shall not perform the act in both capacities.



## Chapter 12 General Manager of the Company

**Article 162** The Company shall have one general manager, who shall be hired or dismissed by the board of directors. The term of office shall be three years, and such General Manager may be re-hired and serve consecutive terms.

Managers may resign before his or her term expires. The specific procedures and methods for resignation of manager shall be specified in the employment contract between the manager and the Company.

**Article 163** The general manager shall be responsible to the Board and shall have the following functions and duties:

- (1) to be responsible for the production and management of the Company and to arrange the implementation of the resolutions of the Board;
- (2) to arrange the implementation of the annual business plans and investment proposals of the Company;
- (3) to prepare proposals for the establishment of internal management structure of the Company;
- (4) to prepare the fundamental management systems of the Company;
- (5) to formulate the fundamental regulations of the Company;
- (6) to propose the employment and dismissal of deputy managers and persons in charge of financial matters of the Company;
- (7) to employ and dismiss management staff members except those who will be employed and dismissed by the Board;
- (8) other functions and duties as conferred by the Articles of Association and the Board.

**Article 164** The general manager of the Company shall be present at the meetings of the Board. However, the general manager has no voting rights at the Board meetings unless he is also a Director.

The general manager and deputy manager of the Company are not allowed to change the resolutions of the general meetings or Board Meetings or act ultra vires in discharging their duties.

**Article 165** When the General Manager of the Company exercising his or her powers, he or she shall perform the fiduciary obligation and due diligence, in accordance with the provisions of the laws, administrative regulations and these Articles of Association as well as the bye-laws relating to the general manager of the Company. Where the general manager violates any laws, regulations or the provisions of these Articles of Association and causes loss to the Company, the Board of the Company shall take legal action for compensation.

The bye-laws relating to the general manager are as follows:

- (1) conditions and procedures of the convening of general manager meeting and the personnel attending;
- (2) specific duties and allocation of work of the general manager and other senior management personnel;
- (3) usage of the capital or assets of the Company, licence for entering into material contract, and reporting system to the Board and supervisory committee;
- (4) other matters deemed necessary by the Board.

### **Chapter 13 Supervisory Committee**

**Article 166** The Company shall set up a supervisory committee.

**Article 167** The supervisory committee shall comprise three persons, one of whom shall act as chairman of the supervisory committee. The term of office of supervisor shall be three years and the supervisor may be re-elected and serve consecutive terms. The appointment and dismissal of the Chairman of the supervisory committee shall be passed by more than two thirds of the members of the supervisory committee through voting.

Where no new appointment is made upon expiry of the term of a supervisor, or the resignation of a supervisor causes the number of supervisors constituting the supervisory committee to fall below the quorum, the original supervisor shall, prior to the new supervisor entering on the office, continue to perform his or her duties as a supervisor in accordance with the provisions of laws and administrative regulations and the Articles of Association of the Company.

Supervisors shall guarantee the truth, accuracy and completeness of the information disclosed by the Company. Supervisors shall comply with the laws, administrative regulations and these Articles of Association, and owe fiduciary obligation and due diligence. No supervisor shall abuse his or her powers and accept bribery or other unlawful proceeds, and misappropriate the assets of the Company.

No supervisor shall use his or her affiliation to injury the interest of the Company. Where any loss is thus caused to the Company, the supervisor shall be liable for compensation.

Where a supervisor violates any laws, administrative regulations, departmental regulations or the provisions of these Articles of Association in the course of performing his or her duties, and causes loss to the Company, such supervisor shall be liable for compensation.

**Article 168** The supervisory committee comprises two representatives of the shareholders and one representative of the employees. The representatives of the shareholders are elected and removed by the general meeting, whereas the representative of the employees is elected and removed through democratic election by the employees of the Company.

**Article 169** Directors, general manager and other senior management personnel shall not hold the office of supervisor concurrently.

**Article 170** Meeting of the supervisory committee shall be held at least twice a year and convened by the chairman of the supervisory committee. The Company shall serve notices of the meeting in writing, including email, fax or telegraph, to all supervisors 10 days before the date of the meeting. A notice of the meeting is required to include such information as the date, venue, duration, reasons and agenda of the meeting as well as the date of the notice. An announcement is required to be made to state the reasons for the failure of holding the meeting of the supervisory committee as scheduled.

**Article 171** The supervisory committee shall be accountable to all shareholders and shall exercise the following functions and duties:

- (1) to examine the Company's financial affairs;
- (2) to supervise the Company's directors, general manager and other senior management personnel to see whether they violate any laws, administrative regulations or these Articles of Associations when performing their duties and to propose on dismissal of directors or senior management personnel in violation of laws, administrative regulations, these Articles of Associations or resolution passed in a general meeting of shareholders;
- (3) if an act of the Company's director, manager and other senior management personnel prejudices the interests of the Company, to request such person to correct such act;
- (4) to verify accounting reports, business reports, profit distribution plans and other such financial information proposed to be tabled at the general meeting of shareholders by the Board and to appoint, in the name of the Company, a certified accountant or practicing auditor to assist the review should any queries arise;
- (5) to propose convening an extraordinary general meeting;
- (6) to represent the Company in negotiations with directors or in initiating legal proceedings against a director;
- (7) to review the Company's regular reports formulated by the board of directors and to provide written opinion on such review;
- (8) to make proposals to the general meeting of shareholders;
- (9) to conduct investigation upon discovering irregularities in the business operations and may appoint professional organizations such as accounting firms and/or law firms to assist in the investigation if necessary; such expenses shall be borne by the Company
- (10) other functions and powers as stipulated in these Articles of Associations.

Supervisors may attend meetings of the Board and query resolutions of the Board or give suggestions.

**Article 172** Resolutions of the supervisory committee shall be passed by two thirds or more (including two thirds) of the supervisors.

**Article 173** The supervisory committee shall formulate a set of rules for the supervisory committee to specify the rules of procedures and voting procedures of a supervisory committee in order to ensure the efficiency and scientific method in making decision.

The rules of the supervisory committee should include the convening, consideration and voting procedures of meetings of the supervisory committee.

**Article 174** The supervisory committee shall record minutes of meeting and the supervisors present at the meeting shall sign on the minutes of meeting. Supervisors shall have the right to request the minutes recording certain explanatory description on his speech in the meeting. Minutes of meetings of the supervisory committee shall be properly maintained by the Company as an important file and shall be kept for ten years.

**Article 175** Notice of a meeting of the supervisors committee shall bear the following contents:

- (1) date, place and duration for convening the meeting;
- (2) reason for convening the meeting and agenda thereof;
- (3) date of notice being given.

**Article 176** Any reasonable costs and expenses incurred in engaging such professionals as lawyers, certified public accountants and certified auditors as required by the supervisory committee in discharging its duties shall be borne by the Company.

**Article 177** Supervisors shall honestly discharge their duties in accordance with the laws, administrative regulations and the Articles of Association.

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

**Article 178** A person will be disqualified from being a director, a supervisor, the general manager or other senior officer of the Company if one of the followings occurs:

- (1) (s)he has no civil capacity or restricted civil capacity;
- (2) (s)he was convicted and sentenced for an offence of corruption, bribery, unauthorized appropriation or embezzlement of properties or disturbance of social and economic order and has served out the sentence for less than five years; or (s)he has been deprived of political rights for committing an offence and the term of deprivation has expired for less than five years;

- (3) (s)he was a director, factory manager, or general manager of a company or an enterprise which was insolvent due to poor business operation and management and for which (s)he was personally liable and a period of less than three years has elapsed since the completion of the liquidation of such company or enterprise;
- (4) (s)he was a legal representative of a company or an enterprise the business licence of which was revoked due to illegal business operation and for which (s)he was personally liable and the period of not less than three years has elapsed since such revocation;
- (5) (s)he is personally liable for a substantial loan which was due for payment but remains unpaid;
- (6) (s)he has been involved in criminal offences subject to investigation by judicial authorities and the case has yet to be settled;
- (7) (s)he is not eligible for acting as a leader of a company or an enterprise according to the laws or administrative regulations;
- (8) the person is not a natural person;
- (9) (s)he was adjudged by the competent regulatory authorities to be guilty of contravention of the provisions of securities regulations involving fraud or dishonesty and a period of less than five years has elapsed since the adjudgment.
- (10) other contents as required by laws, administrative regulations or departmental rules.

**Article 179** The validity of any act of a director, general manager or any other senior officer of the Company acting on behalf of the Company against any bona fide third party shall not be affected by any irregularity in his appointment, election or any defects in his qualification.

**Article 180** In addition to the obligations imposed by the laws and administrative regulations or required by the listing rules of the stock exchange on which the shares of the Company are listed, a director, a supervisor, the general manager or any other senior officer of the Company owes a duty to each shareholder for the following in the exercise of the powers entrusted to him/her:

- (1) not to cause the Company to exceed the scope of business stipulated in its business licence;
- (2) to act honestly in the best interests of the Company;
- (3) not to expropriate in any guise the properties of the Company, including but not limited to taking over any opportunities advantageous to the Company;
- (4) not to expropriate the individual rights of shareholders including but not limited to the rights to distribution and voting rights save and except pursuant to a restructuring of the Company submitted for approval at a general meeting in accordance with these Articles.

**Article 181** A director, a supervisor, the general manager or any other senior officer of the Company, owes a duty, in the exercise of his/her powers and discharge of his/her duties, to exercise the care, diligence and skill that a reasonable and prudent person would be expected to exercise in comparable circumstances.

The directors, including independent directors and those who intend to act as independent directors, of the Company shall take an active part in relevant training in order to understand the rights, obligations and responsibilities as Directors, including independent directors, get familiar with relevant laws and regulations and master relevant knowledge required as a Director, including independent directors.

**Article 182** The directors, supervisors, the general manager and other senior officers of the Company shall perform their duties in accordance with the principle of fiduciary; and shall not put themselves in a position where their duties and their interests may conflict. This principle applies to, including but not limited to, discharging the following obligations:

- (1) to act sincerely in the best interests of the Company;
- (2) to exercise powers within the scope of their powers and not to act ultra vires;
- (3) to exercise the discretion rights vested to them personally and not to allow themselves 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 the general meeting, not to delegate their discretion rights to others;
- (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 shareholders given at the general meeting, not to enter into any contract, transaction or agreement with the Company;
- (6) without the informed consent of shareholders given at the general meeting, not to use the Company's property for their own benefit;
- (7) not to abuse their duties to accept bribes or other illegal income or expropriate the Company's property by any means, including but not limited to taking over any opportunities advantageous to the Company;
- (8) without the informed consent of shareholders given at the general meeting, not to accept commissions in connection with the Company's transactions;
- (9) to abide by the Articles of Association, perform their duties faithfully and protect the Company's interests, and not to abuse their positions and duties in the Company for their own private interests;
- (10) not to compete with the Company in any way unless with the informed consent of shareholders given at the general meeting;

- (11) not to misappropriate the Company's funds or lend such funds to others, not to open accounts in their own names or other names for the deposit of the Company's assets and not to pledge the Company's asset as security for the debts of a shareholder of the Company or any other individual(s);
- (12) unless otherwise permitted by informed shareholders at the general meeting, to keep in confidence information acquired by them in the course of and during their tenure and not to use such information other than in furtherance of the interests of the Company, save that disclosure of such information to the court or any other governmental authorities is permitted if the disclosure is made:
  1. under the laws;
  2. for public interests;
  3. for the interests of such Director, supervisor, the general manager or other senior officers.

**Article 183** Each director, supervisor, the general manager and other senior officers of the Company shall not cause the following persons or institutions ("associates") to do what (s)he is prohibited from doing:

- (1) the spouse or minor child/children of such director, such supervisor, the general manager or such other senior officer of the Company;
- (2) any person acting in the capacity of the trustee of such director, such supervisor, the general manager or such other senior officer of the Company or any person referred to in clause (1) of this Article;
- (3) any person acting in the capacity of a partner of such director, such supervisor, the general manager or such other senior officer of the Company or any person referred to in clauses (1) and (2) of this Article;
- (4) any company controlled by such director, such supervisor, the general manager or such other senior officer of the Company, alone or jointly with the persons referred to in clause (1) to (3) of this Article or commonly de facto controlled with other directors, supervisors, the general manager and such other senior officer of the Company.
- (5) any directors, supervisors, the general manager or any other senior officers of the controlled company referred to in clauses (4) of this Article.

**Article 184** The fiduciary duties of the directors, the supervisors, the general manager and other senior officers of the Company do not necessarily cease upon the termination of their tenure. The obligation of confidentiality in relation to trade secrets of the Company survives the termination of their tenure. Other obligations may continue for such period as to be determined under the principle of fairness, depending on the time lapse between the termination and the act concerned and the circumstances under which the relationship between them and the Company are terminated.

**Article 185** Directors, supervisors, general manager and other senior management personnel violating the duties of a particular specific obligation shall be dismissed by the general meeting of shareholders with the knowledge, saving the circumstance stipulated in Article 51 hereof.

**Article 186** A director, a supervisor, the general manager or any other senior officer of the Company who to his/her knowledge 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/her contract of service with the Company) shall declare the nature and extent of his/her interests to the Board at the earliest opportunity, whether or not the contract, transaction or arrangement or proposal therefor is otherwise subject to the approval of the Board.

Unless the interested director, supervisor, general manager or other senior officer of the Company discloses his/her interests to the Board in accordance with this Article and the contract, transaction or arrangement is approved by the Board at a meeting in which the interested director, supervisor, general manager or other senior officer is not counted in the quorum and has abstained from voting, the Company has the right to rescind such contract, transaction or arrangement in which such director, such supervisor, the general manager or other senior officer is interested except as against a bona fide party thereto acting without notice of the breach of duty by the interested Director, supervisor, general manager or other senior officer.

For the purposes of this Article, a director, a supervisor, the general manager or other senior officer of the Company is deemed to be interested in the contract, transaction or agreement in which an associate of him/her is interested.

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

**Article 188** The Company shall not in any manner pay taxes for a director, a supervisor, the general manager or any other senior officers.

**Article 189** Requirements in respect of the Company's guarantees are as follows:

- (I) The Company is prohibited from directly or indirectly providing a loan or a guarantee for a loan to a director, a supervisor, the general manager or other senior officers of the Company and its holding company, and is prohibited from providing a loan or a guarantee for a loan to the persons connected with such directors, such supervisors, the general manager and other senior officers.



The following transactions are not subject to the prohibition as set out above:

- I. the provision by the Company of a loan to, or a guarantee for a loan for, a company which is a subsidiary of the Company;
- II. the provision by the Company of a loan or a guarantee for a loan or any other funds under a service contract with any of its Directors, supervisors, the general manager or other senior officers as approved at the general meetings to meet expenditures incurred or to be incurred by them for the purposes of the Company or for the purposes of enabling them to properly perform their duties;
- III. where the normal business of the Company includes lending of money or the provision of guarantees, the Company may make a loan to or provide a guarantee for any of its Directors, its supervisors, the general manager or other senior officers or any persons connected with them on normal commercial terms.

(II) Guarantees to other parties

- I. The Company is prohibited from providing a guarantee for a loan to a controlling shareholder, a subsidiary of a shareholder, a fellow subsidiary of a shareholder and other related parties in which the Company holds less than 50% equity interests, or any non-legal persons or individuals;
- II. The total amount of guarantees provided by the Company shall not be more than 50% of net asset value of the Company as shown in the latest audited consolidated financial statements;
- III. The Company shall carry out a credit review of the parties for which the Company provides guarantee and the Company is not allowed to, directly or indirectly, provide guarantee for a loan to any party whose debt to assets ratio is higher than 70%;
- IV. For any guarantee to be provided by the Company, the Company must request the party for which the guarantee is given to give a counter guarantee to the Company and the party who gives the counter guarantee must have the actual capability to perform the counter guarantee.

(III) Considering and approving procedures for external guarantee:

- (i) The Company shall obtain consent in writing of over two-thirds of the members of the Board of directors or approval from general meeting in accordance with the laws, regulations in the PRC or the listing rules of its listing stock exchanges when providing external guarantee. The power of approval by the Board of directors are stipulated in Rules of Procedures for the Board of directors.

(ii) Before the Board of directors decides to provide external guarantee (or submits it to general meeting for approval), adequate information in respect of the credit standing of debtors shall be obtained and sufficient analysis with respect to the benefits and risks of guarantee to be provided shall be conducted. Detailed disclosure should be made in relevant announcements.

(iii) In case of a shareholder or director interested in the guarantee to be considered by general meetings or Board meetings, the said shareholder or director shall abstain from voting.

**Article 190** Any loan made by the Company in breach of Article 189 shall be forthwith repaid by the recipient of the loan regardless the term of the loan.

**Article 191** In the case that the Company provides loans in violation of the first paragraph of Article 189, the Company is not obliged to execute, unless:

- (i) the loan is provided to the respective associates of directors, supervisors, general managers and other senior management of the Company or its controlling company and the person providing the loans is not aware of the connections; or
- (ii) that the collateral provided by the Company have been legally sold to bona fide purchaser by the party granting such loan.

**Article 192** The guarantees as mentioned in the previous Articles hereof include provision by the guarantor of an undertaking or property to secure the performance of obligations by the obligor.

**Article 193** In the event that a director, a supervisor, the general manager or any other senior officer of the Company is in breach of his/her obligation to the Company, the Company has the right to take the following measures in addition to the various rights and remedies provided by the laws and administrative regulations:

- (1) to demand such director, supervisor, the general manager or other senior officer to pay damages for the losses suffered by the Company caused by his/her breach of duties;
- (2) to rescind any contract or transaction entered into by the Company with such director, supervisor, general manager or other senior officer and any contract or transaction entered into by the Company with a third party who knew or should have known that such Director, supervisor, the general manager or other senior officer representing the Company is in breach of his/her obligation to the Company;
- (3) to demand such director, supervisor, the general manager or other senior officer to hand over the proceeds received as a consequence of the breach of his/her obligation;
- (4) to recover from such director, supervisor, general manager or other senior offer any proceeds which should otherwise have been received by the Company, including without limitation to commissions;

- (5) to demand such director, supervisor, the general manager or other senior officer to return such interests accrued or to be accrued from the monies which should otherwise have been paid to the Company.

**Article 194** The Company shall, with the prior approval of the shareholders at general meeting, enter into a written contract with the Directors or the supervisors of the Company in respect of their emoluments. Their emoluments comprise:

- (1) the emoluments in respect of their services as director, supervisors or other senior officers of the Company;
- (2) the emoluments in respect of their services as director; supervisors or other senior officers of subsidiaries of the Company;
- (3) the emoluments for the provision of any other services in connection with the management of the Company and its subsidiaries;
- (4) payment by way of compensation for loss of office or retirement of such Directors or supervisors.

Unless otherwise stipulated in the aforesaid contract, a director or a supervisor has no right to take any legal proceedings against the Company with respect to any benefits which ought to be received by him/her for such matters as set out in the foregoing Articles.

**Article 195** A clause should be included in the contracts made between the Company and directors or supervisors of the Company for their emoluments to provide, subject to the prior approval at general meeting, the directors or the supervisors with compensation or any other payment for their loss of office or retirement from office as a result of the Company being taken over. The phrase “the Company being taken over” referred to in this Article means any of the followings:

- (1) an offer made to all shareholders by any person;
- (2) an offer made by an offeror with a view to becoming the controlling shareholder. The definition of the “controlling shareholder” shall be the same as that defined in the Article 50 hereof. If the relevant director or supervisor fails to comply with this Article, any sum received by him/her shall belong to the shareholders who have disposed of their shares by accepting the offer made as aforesaid; and the expenses incurred from the distribution of such proceeds pro rata amongst those shareholders shall be borne by such director or supervisor and is not allowed to be deducted out of that proceeds.

**Article 196** Subject to the approval at the general meeting, the Company may purchase liability insurance for its directors, supervisors, managers and other senior officers except for the liabilities as result of violating laws, regulations and these Articles of Associations.

**Article 197** Any person taking up the position other than a director in the organization of the Company's controlling shareholder or actual controlling party may not take up the position of senior management personnel of the Company.

**Article 198** Senior management personnel who violates the provisions of laws, administrative regulations, departmental rules or these Articles of Association in his/her performance of duties and powers and causing the Company to suffer damages shall bear compensation liability.

## **Chapter 15 Financial Accounting System**

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

**Article 200** The Company shall prepare financial statements at the end of each financial year and shall have it audited in accordance with the laws.

**Article 201** The Board of the Company shall prepare and submit the financial statements to the shareholders at annual general meeting as required by relevant laws, administrative regulations or regulatory documents issued by regional governments and competent authorities.

**Article 202** The financial statements of the Company shall be available for inspection by shareholders at the premises of the Company 20 days before the date of annual general meeting. Every shareholder of the Company is entitled to receive the financial statements as mentioned in these Articles of Associations.

The Company shall send to each shareholder of overseas listed foreign investment shares the aforesaid statements, or a summary thereof if so permitted in The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, at least 21 days before the annual general meeting through prepaid envelope mail to the address appearing on the register of members of the Company. To the extent as permitted under The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, such statements may be sent to the shareholders of H Shares through electronic means.

**Article 203** The financial statements of the Company should be prepared in accordance with the PRC Accounting Standards and regulations.

**Article 204** The announcement and disclosure of the interim results or financial data of the Company should be prepared in accordance with the PRC Accounting Standards and regulations.

**Article 205** The Company shall publish its two financial reports in each financial year, that is, its interim financial reports within 60 days of the end of the first six months of a financial year and its annual financial reports within 120 days of its financial year end.

**Article 206** No books of accounts other than those provided in accordance with laws may be established by the Company. Assets of the Company shall not be deposited in accounts opened and maintained in the name of any individual.

## Chapter 16 Distribution of Profits

**Article 207** The profits of the Company after tax shall be distributed to uses in the following order:

- (1) Making up loss;
- (2) Depositing as statutory reserve;
- (3) Deposition as discretionary reserve;
- (4) Payment of ordinary share dividend.

The Board of the Company shall determine the specific proportion of profit distribution to uses as set out in sections (3), (4) above in accordance with the laws, administrative regulations and the business and development needs of the Company, and such proportion shall be submitted to the general meeting of shareholders for approval.

Where the general meeting of shareholders is in breach of the first paragraph of this Article to make profit distribution to the shareholders before offsetting the losses and contributing to the statutory surplus reserve, the shareholders shall return the profits so distributed to the Company.

**Article 208** The capital reserve fund comprises the following:

- (1) the amount of share premium arising from the issue in excess of the par value of shares;
- (2) any other incomes to be transferred to the capital reserve fund in accordance with the requirements of the financial regulatory authorities under the State Council.

**Article 209** The surplus reserve of the Company is only allowed to be used for making up losses of the Company, expansion of production facilities of the Company and conversion into capital of the Company.

When converting its surplus reserve fund into share capital under the resolution of shareholders at general meeting, the Company shall issue new shares to existing shareholders in proportion to their original shareholdings. When converting the statutory surplus reserve into share capital, the remaining amount of the fund unconverted must not be less than 25% of the registered capital.

The Company shall apply the welfare fund for the collective welfare of the employees and workers of the Company.

**Article 210** The Company shall distribute dividends on an annual basis. After the Company's general meeting of shareholders has passed a resolution on profit distribution proposal, the Company's Board shall complete the distribution of dividends within two months after the conclusion of the general meeting of shareholders. No dividend is distributable before the Company offsets its losses and makes contributions to the statutory surplus reserve and the statutory public welfare fund.

**Article 211** The profit distribution of the Company is made according to the proportion of the shares held by the shareholders, emphasizing on bringing reasonable investment returns to the investors. The profit distribution policy strives to maintain continuity and stability.

(I) The Company's profit distribution policy is as follows:

1. Principle of profit distribution:

The Company implements a stable policy of profit distribution. On making a profit distribution, the Company will comply with the statutory requirement to make the distribution in order and will take into account the provision of reasonable and stable returns on investment to the shareholders and the long-term and sustainable growth of the Company.

2. Method of profit distribution

The Company may pay dividends in the form of cash, bonus shares or a combination of both, or such other forms of dividends payment which are permitted by laws and regulations. Subject to the approval of the Shareholders, the Board may be authorized to declare interim cash dividends;

3. Conditions of profit distribution and minimum dividend proportion:

The Company shall pay the dividends and the amount of cash dividends so paid shall not be less than 10% of the net profit attributable to shareholders of the Company for the year, provided that the working capital requirement for the Company's normal production and operation is met and the long-term and sustainable growth of the Company is maintained, and that there is no material investment plan or material cash expense. In the event that the Company has maintained growth in the profits for the past three years, the Company may increase the proportion for cash dividends to provide more returns to the investors.

Material investment plan or material cash expense represents the proposed external investment, acquisition or purchase of assets by the Company in the coming twelve months with accumulated expenses amounting to or exceeding 10% of the latest audited net assets of the Company.

4. In the event of misappropriation of the Company's funds by a Shareholder, the Company can deduct the funds misappropriated from the cash dividends to be allocated to that Shareholder as repayment.

(II) Procedures for Decision Making on Profit Distribution by the Company:

The proposal for profit distribution of the Company is formulated by the Board after taking into account the Company's specific conditions such as profitability, capital needs and growth of the Company and, upon consideration and approval by the Board, shall be proposed at the general meeting for approval. Independent directors shall express their independent opinions on the reasonableness of the profit distribution proposal for the year before the same is considered by the Board.

(III) In the event that the Company revises its profit distribution policy in response to the external business environment or its own state of operation, the Company shall first consider the protection of the shareholders' interests, make thorough consideration and state the reasons thereof. The revised profit distribution policy shall not be contrary to the relevant requirements of CSRC and stock exchanges in the PRC and Hong Kong. The proposal for the revision of the profit distribution policy shall first be approved by the independent directors of the Company and they shall express independent opinions, and thereafter shall be proposed to the Board for consideration before being submitted to the general meeting for consideration and approval by a special resolution thereat.

If the Company records profits for a year but the Board fails to make any proposal for cash profit distribution, the Board shall state the reasons thereof in detail and the planned application and use of such retained funds that would have been otherwise available for distribution in the annual report for the year, and the independent directors shall express independent opinions in such regard and shall be disclosed accordingly.

**Article 212** The Company shall appoint a receiving agent for the shareholders of overseas listed foreign investment shares. The receiving agent shall receive on behalf of such shareholder the dividends distributed and other amounts payable to such shareholders by the Company in respect of the overseas listed foreign investment shares. The receiving agent appointed by the Company shall satisfy the requirements provided under the laws or relevant regulations of the stock exchange at the place of listing. The receiving agent appointed by the Company for the holders of overseas listed foreign investment shares (H shares) listed in Hong Kong shall be a trust company registered under the Trustee Ordinance of Hong Kong.

**Article 213** Dividends or other distributions declared by the Company to be payable to holders of any shares shall be denominated in Renminbi, whereas dividends or other distributions payable to holders of domestic shares are paid in Renminbi, and those payable to holders of overseas listed foreign investment shares (H shares) listed in Hong Kong are paid in Hong Kong dollars. The formula for conversion to Hong Kong dollars is as follows:

$$\text{Conversion price of the dividends or other distributions} = \frac{\text{Dividends or other distributions in RMB}}{\text{The mean of the exchange rates for each unit of the foreign currency against RMB as announced by the People's Bank of China for the calendar week preceding the date on which such dividends or other distributions are declared by the Company}}$$

## **Chapter 17 Internal Audit**

**Article 214** The Company shall implement an internal audit system and hire professional audit personnel to carry out internal audit and supervision on the Company's financial income and expenses and economic activities.

**Article 215** The Company's internal audit system and the duties of the audit personnel thereof shall be implemented after approval by the Board. The audit responsible senior management personnel shall be accountable and report to the board of directors.

## **Chapter 18 Appointment of Accounting Firm**

**Article 216** The Company shall appoint an independent accounting firm which complies with the relevant requirements of the State to conduct audit on the annual financial statement and to review other financial reports (including accounting reports and verification on net assets etc.) and to provide other related services.

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

If the inaugural meeting fails to exercise its aforesaid power, this power shall be exercised by the Board.

**Article 217** The accounting firm will be appointed for a term commencing from the close of an annual general meeting and ending at the close of the following annual general meeting.

**Article 218** The accounting firm appointed by the Company has the following rights:

- (1) to inspect at any times the books, records and vouchers of the Company, and to request the Directors, general managers or other senior officers of the Company to provide any relevant information and explanation.



- (2) to request the Company to take all reasonable steps to obtain necessary information from its subsidiaries and explain to them to perform their duties.
- (3) to attend shareholders' general meetings and to receive all notices of, and other communications relating to, such meetings which a shareholder of the Company is entitled to receive, and to speak at any shareholders' general meeting on any matter concerning its role as the accountant of the Company.

**Article 219** The Company shall provide accurate and complete accounting vouchers, accounting books, financial and accounting reports and other accounting information to their auditor and shall not refuse to provide, conceal or give false information.

**Article 220** Before the convening of the shareholders' general meeting, the Board may fill any casual vacancy in the office of the accounting' firm, but while any such vacancy continues, the surviving or continuing firm, if any, may act.

**Article 221** The shareholders at a shareholders' general meeting may, by an ordinary resolution, remove an accounting' firm before the expiration of its office, notwithstanding the terms of the contract between the Company and the firm, but without prejudice to the firm's right to claim, if any, for damages in respect of such removal.

**Article 222** The remuneration for the accounting firm or the manner in such firm is to be remunerated and shall be determined at the shareholders' general meeting. The remuneration of the accounting' firm appointed by the Board shall be determined by the Board.

**Article 223** The Company's appointment, removal or non-reappointment of an accounting' firm shall be decided by shareholders at a shareholders' general meeting and filed with competent securities authorities under the State Council.

Where any resolution is proposed to be passed at a shareholders' general meeting concerning the appointment of any accounting' firm, other than an incumbent firm, to fill a casual vacancy in the office of the accounting' firm, re-appointment of the retiring accounting' firm which was appointed by the Board to fill a casual vacancy, or removal of the accounting' firm before the expiration of its term of office, the following provisions shall apply:

- (1) a copy of the proposal shall be sent to the firm proposed to be appointed or proposing to leave its office or the firm which has left its office in the relevant accounting year before notice of meeting is given. Leaving the office includes removal, resignation and retirement.
- (2) If the leaving accounting' firm makes a representation in writing and requests the Company to notify such representation to the shareholders, the Company shall, unless the representation is not timely received:
  1. in any notice given to shareholders for the purpose of the resolution, state the fact of the representation having been made by the leaving accounting' firm;

2. attach a copy of the representation to the notice and deliver the same to the shareholders in the manner as stipulated in these Articles of Association.
- (3) If such representation is not sent in accordance with paragraph (2) of this Article, the relevant accounting' firm may request the representation to be read out at the shareholders' general meeting and may make further declaration.
- (4) The leaving accounting firm is entitled to attend:
  1. the shareholders' general meeting at which its term of office would have expired;
  2. any shareholders' general meeting at which a resolution will be proposed to fill the vacancy caused by its removal;
  3. any shareholders' general meeting convened on its resignation;

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

**Article 224** Prior notice shall be given by the Company to the accounting firm in the event of removal or non-reappointment and the accounting firm is entitled to make representation at the shareholders' general meeting. Where the accounting firm resigns from its office, it shall make clear to the shareholders' general meeting whether there has been any impropriety on the part of the Company.

The accounting firm may resigns from its office by depositing a resignation notice to the Company's legal address. Such notice shall become effective on the date of depositing the notice at the Company's legal address or such later date as may be set out in such notice. Such notice is required to include:

- (1) a statement to clarify that there are no matters related to its resignation which it considers should be brought to the attention of the shareholders or creditors of the Company; or
- (2) a statement on any matters required to be accounted for.

The Company shall send a copy of aforesaid written notice to the relevant regulatory authorities within 14 days upon the receipt by the Company of the same. If a statement as mentioned in section 2 hereof is attached to the notice, a copy of such statement is required to be placed at the Company's registered office for shareholders' inspection. The Company shall also send a copy of the aforesaid statement to the shareholders of overseas listed foreign investment shares through prepaid envelope mail to the address appearing on the register of members of the Company.

Where notice of resignation of the accounting firm's contains a statement on any matters, the accounting' firm may request the Board to convene an extraordinary shareholders' meeting for the purpose of giving an explanation of the matters related to its resignation.

## Chapter 19 Insurance

**Article 225** The Company shall purchase insurances from The People's Insurance Company of China or any other insurance companies registered in the PRC and authorized to provide insurance to companies in PRC under the PRC laws.

Types of insurance, insured amounts and the terms thereof are determined by the general manager of the Company based on the circumstances of the Company and the practices of similar industries in other countries and the practice and legal requirements in the PRC.

## Chapter 20 Labor Management and Trade Union

**Article 226** The Company establishes regulations in respect of labor management, human resources management, remuneration and benefits and social insurance of the Company in accordance with the laws and administrative regulations of the PRC.

**Article 227** The Company employs the management personnel on appointment basis and all other employees on contract basis respectively. The Company has the right to recruit and dismiss its employees in accordance with the laws, administrative regulations and regulations and procedures of human resources management of the Company, and the employees have the right to resign.

**Article 228** The Company has the power to determine remuneration and benefits of its management staff and employees of various level based on its own economic efficiency and the scope of salary as required by relevant administrative regulations of the PRC.

**Article 229** The Company implements regulations and requirements issued by relevant department governing labor management under the State Council on retirement of employees and labor protection and insurance for unemployed job seekers.

**Article 230** The Company must protect the legal rights of its employees, reinforce labor protection and implement safe production.

The Company shall provide various career education and training programs for its employees so as to enhance their quality.

**Article 231** The employees of the Company have the right to form a trade union for organization of union activities and protection of legal rights of the employees in accordance with the laws. The Company shall provide necessary convenience for the trade union to organized activities. The Company shall allocate fund to the trade union for their organization of activities as required by relevant regulations of the PRC.

**Article 232** In the event that the Company considers and determines such issues on the employees' vital interests as remuneration, benefits, safe production, labor protection and labor insurance, the Company shall first listen to the views of the trade union and the employees of the Company, and invite representatives of the trade union or employees to attend relevant meetings. In the event that the Company considers and determines such important issues as production and operation and the formulation of important rules and regulations, the Company shall listen to the views and suggestions of the trade union and the employees of the Company.

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

**Article 233** For merger or division of the Company, the Board of the Company shall put forward and submit the proposal to competent authorities for examination and approval in accordance with the laws after the same has been approved under the procedures provided in these Articles of Association. Shareholders who oppose the proposal for merger or division have the right to request the Company or the shareholders who are in favor of merger or division to purchase their shares at a fair price. The resolution of the Company on merger or division shall be reduced to a document for the inspection of the shareholders.

In respect of the holders of overseas listed foreign investment shares, the aforesaid documents shall be served to them by post.

**Article 234** The merger of the Company may take the form of either merger by absorption or merger by new establishment. When the Company is merged, the parties to the merger shall execute a merger agreement and prepare their respective balance sheets and inventory of assets. The Company shall notify its creditors within 10 days from the date of passing of the resolution of merger and shall publish the notice at least three times in a newspaper within 30 days thereof.

The merged entity or the newly established company shall assume the liability for the debts and obligations of parties to the merger after the merger of the Company.

**Article 235** When the Company is divided, its assets must be divided accordingly. When the Company is divided, the parties to the division shall execute a division agreement and prepare their respective balance sheets and inventory of assets. The Company shall notify its creditors within 10 days from the date of passing of the resolution of division and shall publish the notice at least three times in a newspaper within 30 days thereof. The divided entities shall assume the liability for the obligations of the Company before the division according to the agreement.

**Article 236** Where the merger or the division of the Company involves the changes to the registered particulars, such changes shall be registered with the companies registration authorities in accordance with the laws. Where the Company is dissolved, it shall apply for deregistration in accordance with the laws. In the event that a new company is set up, it shall apply for incorporation in accordance with the laws.

## Chapter 22 Dissolution and Liquidation of the Company

**Article 237** The Company shall be dissolved and liquidated pursuant to laws upon occurrence of any one of the following circumstances:

- (1) dissolution due to expiry of business operation validity;
- (2) dissolution by resolution of the general meeting of shareholders;
- (3) dissolution due to merger or separation of the Company;
- (4) the Company is declared to be bankrupt in accordance with the laws due to inability to repay debts due;
- (5) the Company is held to be close by sanction in accordance with the laws due to violation of laws or administrative regulations;
- (6) in the event that the Company encounters serious difficulties in its business and its continuous operation will cause substantial losses to shareholders and such problem may not be solved by any other alternative, shareholder(s) holding 10% or more of the shares of the Company may request a people's court to proceed a mandatory dissolution of the Company.

**Article 238** If dissolved by reason of paragraphs (1) and (2) of the foregoing Article, the Company shall establish a liquidation committee within 15 days and the committee members shall be determined by an ordinary resolution at general meeting.

If dissolved by reason of paragraph (3) of the foregoing Article, the Company shall be liquidated by a liquidation committee comprising shareholders, the relevant authorities and professionals, to be established by the People's Court in accordance with the relevant laws and regulations.

If dissolved by reason of paragraph (4) of the foregoing Article, the Company shall be liquidated by a liquidation committee comprising shareholders, the relevant authorities and professionals, to be established by the relevant competent authorities.

If dissolved by reason of paragraph (6) of the foregoing Article, the liquidation proceedings of the company shall commence by establishing a liquidation committee within 15 days from the date on which the circumstances leading to dissolution of the Company occurred. The liquidation committee shall be comprised of the personnel determined by the directors or general meeting. If a liquidation committee is failed to be established within the aforesaid period for conducting the proceedings of liquidation, the creditor(s) may apply to court for forming a liquidation committee, comprising the relevant personnel designated by the court, to conduct the proceedings of liquidation.

**Article 239** Where the Board decides to wind up the Company for any reasons other than the insolvency of the Company, the Board shall, in the notice convening a shareholders' general meeting for this purpose, state that, after having made full investigation into the affairs of the Company, it is of

the opinion that the Company will be able to pay its debts in full within twelve months from the date of commencement of the Company's winding up. Upon the passing of a resolution by the shareholders at general meeting to wind up the Company, the functions and powers of the Board of the Company shall cease immediately. The liquidation committee shall act in accordance with the instructions of the shareholders' general meeting to make a report at least once every year to the shareholders' general meeting on the committee's income and expenses, the business of the Company and the progress of the liquidation; and to present a final report to the shareholders' general meeting on completion of the liquidation.

**Article 240** The liquidation task force shall notify the creditors within ten days from the date of its establishment and publish no less than three announcements on the newspapers within sixty days. The creditors may, within thirty days from receipt of the notice (or within forty five days for those creditors who did not receive the notice), declare their creditors' rights to the liquidation task force.

Creditors declaring their creditors' rights shall provide details of the creditors' rights and the relevant proof. The liquidation task force shall register the creditors' rights.

During the declaration period, the liquidation task force shall not settle any creditors' rights.

**Article 241** During the liquidation period, the liquidation committee exercises the following functions and powers:

- (1) to sort out the Company's assets and prepare a balance sheet and an inventory of assets respectively;
- (2) to notify the creditors by notice or public announcement;
- (3) to dispose of and liquidate any business of the Company that has not been wound up;
- (4) to pay all outstanding taxes;
- (5) to settle claims and debts;
- (6) to distribute any remaining assets after the full settlement of the debts by the Company;
- (7) to represent the Company in any civil proceedings.

**Article 242** Members of the liquidation task force shall perform their duties diligently and perform liquidation obligations in accordance with laws.

Members of the liquidation task force shall not abuse their duties and rights to accept bribes or other illegal income and shall not convert the Company assets.

Members of the liquidation task force shall bear compensation liability towards the Company or its creditors for damages suffered by the Company or its creditors due to an intentional or serious mistake of the member(s) of the liquidation task force.

**Article 243** After the liquidation committee has sorted out the assets of the Company, and prepared a balance sheet and an inventory of assets, it shall prepare and submit a liquidation proposal to the shareholders' general meeting or relevant competent authorities for approval. The assets of the Company shall be distributed in the following order:

- (1) liquidation fees;
- (2) wages due to the employees of the Company and social security contribution during three years immediately before the date of liquidation;
- (3) taxes overdue and surtaxes payable in accordance with relevant administrative regulations of the PRC;
- (4) bank loans, bonds and other debts of the Company.

The Company's remaining assets after repayment of its debts in accordance with the provisions of the preceding paragraph shall be distributed to its shareholders according to the class and proportion of their shareholdings.

The Company is not allowed to commence any new business activities during liquidation.

**Article 244** If the Company is liquidated by reason of dissolution and the liquidation committee, having sorted out the Company's assets and prepared a balance sheet and inventory of assets, discovers that the value of the Company's assets are insufficient to settle its debt in full, it shall immediately apply to the People's Court for a declaration of insolvency.

After the People's Court has declared the Company insolvent, the company's liquidation committee shall turn over any matters regarding the liquidation to the People's Court.

**Article 245** Upon the completion of liquidation of the Company, the liquidation committee shall prepare a liquidation report, a statement of income and expense and accounts and books for the period of liquidation which shall be audited by the PRC certified public accountants and submitted to the shareholders' general meeting or relevant competent authorities for confirmation.

The liquidation committee shall also within 30 days after such confirmation by shareholders' general meeting or relevant competent authorities, submit the aforesaid documents to the company registration authority and apply for the deregistration of the Company, and publish an announcement relating to the dissolution of the Company.

## **Chapter 23 Alterations to the Articles of Association of the Company**

**Article 246** The Company may amend these Articles of Association in accordance with the provisions of the laws, administrative regulations and these Articles of Association.

**Article 247** No amendment to these Articles of Association which involves the amendment of such articles as required by the Mandatory Provisions for the Articles of Association of Companies to be Listed Overseas (“Mandatory Provisions”) shall become effective unless obtaining the prior approval of the companies regulatory authorities of the State Council and the approval of the Securities Commission of the State Council. Any amendment involving change to the registered particulars of the Company shall be registered in accordance with the laws.

## **Chapter 24 Settlement of Disputes**

**Article 248** The Company shall act according to the following principles to settle disputes:

- (1) Whenever there occur any disputes or claims between holders of the overseas listed foreign investment shares and the Company, holders of the overseas listed foreign investment shares and the Company’s directors, supervisors, the general manager or any other senior officers, or holders of the overseas listed foreign investment shares and holders of domestic shares regarding the rights or obligations relating to the affairs of the Company conferred or imposed by the Company’s Articles of Association, the Company Law or any other relevant laws and administrative regulations, such disputes or claims shall be referred by the relevant parties to arbitration.

Where a dispute or claim of rights is referred to arbitration, the entire claim or the dispute as a whole must be referred to arbitration, and any parties who have a cause of action based on the same facts giving rise to the dispute or the claim or whose participation is necessary for the settlement of such dispute or claim, are bound by the award of the arbitration provided that such person is the Company or a shareholder of the Company, a director, a supervisor, the general manager or any other senior officer.

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

- (2) A claimant may elect arbitration 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 so elected by the claimant.

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

- (3) The laws of the PRC are applicable to the arbitration for the disputes or claims of rights referred to in paragraph 1, save as otherwise provided in the laws and administrative regulations.



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

## Chapter 25 Notices

**Article 249** Where a notice is sent by post, the notice are deemed to be received by the shareholder 48 hours after the properly addressed and prepaid envelope containing the notice has been posted.

**Article 250** (1) Unless otherwise required by these Articles of Association, notices, material or written representations must be served by the Company to the shareholders of overseas listed foreign investment shares listed in Hong Kong by hand or by prepaid mail to the registered address of each shareholder of overseas listed foreign investment shares. To the extent permitted by The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, notices to shareholders may be sent to the shareholders of H Shares through electronic means.

(2) A shareholder who has not provided any registered address to the Company is deemed to have received a notice if the same has been displayed at the legal address of the Company for a period of 24 hours.

(3) Notices issued by the Company to the holders of domestic shares must be published on one or more newspapers designated by the state securities regulatory authorities. All holders of domestic shares are deemed as having informed once such notice is published.

(4) In these Articles of Association, a “public announcement” means, unless the context hereof otherwise requires, an announcement published in a newspapers in the PRC and in the place where the stock exchange on which the overseas listed shares of the Company are listed is located, and such newspapers should be designated or recommended by local laws, regulations, rules or by relevant securities regulatory authority.

**Article 251** Any notices, documents, material or written statements to be served to the Company by the shareholders, directors or supervisors may be served to the Company’s domicile by hand or by registered mail.

**Article 252** In order to prove that such notices, documents, material or written statements have been served to the Company, the shareholders, directors or supervisors shall provide evidence to prove that such notices, documents, material or written representations have been served within the prescribed time by way of ordinary delivery with postage prepaid to the correct address of the Company.

**Article 253** Notices of the Company given by public announcement shall be deemed received by all relevant personnel upon such announcement is made.

Notices of the Company given by hand delivery shall be deemed received to be upon signature (or chop affixation) on the delivery receipt by the recipient and the date of receipt shall be the date of such signature. Date of receipt of notices of the Company given by mail shall be the following working day from such notice is posted at a post office. Date of receipt of notices of the Company given by public announcement shall be the date of the first announcement is published.

## Chapter 26 Interpretation and Definitions of These Articles of Association

**Article 254** The Board is responsible for the interpretation of these Articles of Association. Where there are matters not contained in these Articles of Association, these matters shall be proposed by the Board for approval by way of special resolution at the shareholders' general meeting.

**Article 255** The Rules of Procedures for Shareholders' Meetings, The Rules of Procedures for the Board of Directors and the Rules of Procedures for the Supervisory Committee shall be formulated in accordance with these Articles of Association. The aforesaid rules shall be made as appendices to these Articles of Association, and become effective upon approval by general meetings of the Company.

**Article 256** In the Articles of Association, the following expressions have the following meanings

“Articles of Association”	the existing Articles of Association of the Company in force
“Board”	the board of directors of the Company
“Supervisory Committee”	the Supervisory Committee of the Company
“PRC”	the People's Republic of China;
“Renminbi” or “RMB”	the lawful currency of the PRC
“Chop”	common chop used and the formal chop (if any) kept by the Company or either one of the two (as the case may be) from time to time.
“Business Day”	the opening day (not including Saturday) of the banks in the normal business hours located in China.

**Article 257** The accounting firm referred in these Articles of Association should have the same meaning as “auditors”.

The Board of  
**Guangzhou Pharmaceutical Company Limited**