

## **Lingbao Gold Group Company Ltd.**

(A joint stock company incorporated in the People's Republic of China with limited liability)

### **Articles of Association**

(Amended by a special resolution passed at the extraordinary general meeting held on 8 April 2017)

(Amended by a special resolution passed at the annual general meeting held on 12 June 2019)

\*The Articles of Association was originally drafted in Chinese and the English translation is not an official version and for your reference only. In case of any inconsistencies and discrepancies between the Chinese and the English versions, the Chinese version shall prevail.

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# Articles of Association of Lingbao Gold Group Company Ltd.

## Section 1 General

Article 1 Lingbao Gold Group Company Ltd. (hereinafter referred to as the “Company”) is a joint stock company organized, pursuant to the related PRC laws and administrative statutes, more particularly, the Company Law of the People's Republic of China (“Company Law”), the Securities Law of the People's Republic of China (“Securities Law”), Special Provisions of the State Council Concerning the Floatation and Listing Abroad of Stocks by Limited Stock Companies (“Special Provisions”).

The Company was established in the form of sponsorship on September 27, 2002 upon approval by Henan People's Government of PRC under the Approval Document (Yu Gu Pi Zi [2002] No.25). The Company was registered for business entity at Henan Administration of Industry and Commerce on September 27, 2002, with Business License (Registration No. 4100001006627).

The Company's sponsors are: Lingbao Stated-owned Assets Operation Co., Ltd; Sanmenxia Jinqu Group Co., Ltd; Lingbao Electric Company; Henan Xuanrui Assets Co., Ltd; Lingbao Jinxiang Auto Parts Co., Ltd; and Lingbao Guoshi Mining Co., Ltd

Article 2 The Company's registered name in Chinese is 靈寶黃金集團股份有限公司; and Lingbao Gold Group Company Ltd. in English.

Article 3 The Company's contacts Domicile: Hangu Road and Jingshan Road intersection, Lingbao, Henan Province, The PRC  
Zip Code: 472500  
Tel: +86 398 8862200  
Fax: +86 398 8860166  
Website: www.lbgold.com

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

Article 5 The Company shall be a joint stock limited company of permanent existence.

Article 6 The Company is governed by the PRC laws and regulations to carry on gold exploration, mining and smelting in the uniform operation as prescribed in the government guides and policies.

Article 7 The Company's entire assets are divided into shares of equal value. The Company's shareholders are held liable to the Company to the extent of their respective shareholdings. The Company is liable for its debts to the extent of all of its assets.

Article 8 The Company is an organization operated to carry out gold mining and smelting. The Company manages its subsidiaries under equity-owned basis under uniform operation in respect of strategy, HR, information, products, channels, funds, investment, foreign affairs, cultural brand, education and training, these subsidiaries are also operated to carry out legal operations of other metals for exploration, mining and smelting operation with respect.

Article 9 These Articles shall come into effect upon approval by a special resolution of the Company at a general meeting and by the competent authorities, since the date of listing on The Stock Exchange of Hong Kong Ltd. (SEHK). These Articles shall replace the original text of the same since the effective date.

These Articles (including the amendments to these Articles from time to time) shall become a legally binding document that regulates the organization and acts of the Company as well as the rights and obligations between the Company and the shareholders and among shareholders from the date on which they become effective.

Article 10 These Articles shall be binding upon the Company and its shareholders, directors, supervisors, President and other officers. These personnel above mentioned may make claims in respect to the Company's matters pursuant to these Articles.

Shareholders may take legal actions against the Company in accordance with these Articles. The Company may take legal actions against the shareholders in accordance with these Articles.

Shareholders may take legal actions against directors, supervisors, president and other officers in accordance with these Articles.

The legal actions in the above paragraph shall include the lawsuit initiated in a court or arbitration proceeding commenced in arbitration tribunal.

Article 11 The term “senior management” herein shall include the Company’s Chairman and Vice Chairman of the Board of Directors, Executive Directors, members of the Management Executive Committee, the Secretary of the Board, President, Senior Executive Vice President and Financial Controller.

Article 12 The Company may invest in other companies with limited liability and joint stock companies, and

shall be held liable to the investee companies to the extent of the Company's contribution of capital investment in them.

Subject to the approval by the company examination and approval department authorised by the State Council, the Company may in accordance with its business and operation operate as a holding company as provided under Clause 2, Article 12 of the Company law.

## **Section 2 Objects and Business Scope**

Article 13 The objects for which the Company is organized are to: become a leading international business in the industry of gold exploration, mining and smelting based on its professional service, products, technique and talents; take active reformation and innovation to carry on production and operation of gold and related metals for exploration, mining, and smelting; maximize the value for its shareholders, employees, clients and the society built on scientific decision making, standard management and stable operations, and facilitate and support the development of national economy and social progress.

Based on the modern enterprise system, the Company endeavors to improve skills on business management and risk controls as well as production and operation. The Company operates independently at its own risk and takes responsibility for its own profit and loss while maintaining self-disciplined.

Article 14 The Company's business scope shall be limited to its operation items, to the approval extent by the Company's business registry.

Business scope: carry on mining, smelting, further processing and distribution (for license-based operation only) with respect to gold (including accompaniment element); develop minerals, dressing, smelting, processing and distribution; distribute mining machinery, metal machinery & electronics, office supplies; and carry out import and export practices with respect to goods and technologies (except such goods and technologies allocated to the restriction and approval groups which are prohibited to transact for imports and exports until approval subject to the national laws and regulations).

The Company may change its business scope by law. Considerations to change the business scope generally include the domestic and international market needs, in conjunction with the Company's growth competencies and business needs; provided that such change shall be transacted to do so according to the decisions made at the Company's general meeting and upon approval by the related government agencies after submission of application for the changes.

Subject to the PRC laws, administrative statutes and these Articles, the Company shall be entitled to financing. This right of financing enable the Company to have the authorizations that include (but not limited to) borrowing, debenture issuance, pledge or mortgage with respect to the Company's rights of

ownership in full or in part, and provision of all types of guarantee for debts of third party (including without limitation to the Company's subsidiary or associate) on any occasions.

### **Section 3 Shares and Registered Capital**

Article 15 The Company shall have ordinary shares at all times. The Company may set other types of shares subject to needs, upon approval by the authorities that are authorized by the State Council. The Company's shares are in form of equity.

Article 16 The Company's shares issued upon incorporation are with par value of RMB1.00 each. The term “RMB” mentioned in the preceding paragraph shall mean the legal currency of the People's Republic of China.

On December 7, 2005, upon approval by the competent securities department under the State Council, the Company's shares at the par value of RMB 1.00 each in issue was subdivided into 5 shares at the par value of RMB0.20 each.

Article 17 Upon authorization by the competent securities department under the State Council, the Company may issue shares to the domestic investors in the territory of PRC and to the foreign investors outside the PRC.

The term “foreign investors” in the preceding paragraph shall mean the investors from a territory outside the PRC or the territories of Hong Kong, Macao and Taiwan who subscribe for shares issued by the Company; and the “domestic investors” shall mean the investors in the territory of the People's Republic of China who purchase the Company's issues of its shares as subscriber.

Article 18 Shares issued by the Company to domestic investors which are subscribed for in RMB are called domestic shares. Shares issued by the Company to foreign investors which are subscribed for in foreign currencies are called foreign shares. Foreign shares which are listed overseas are called the overseas listed foreign shares.

The term “foreign currency” in the preceding paragraph shall mean the legal currencies of a country or region outside PRC other than RMB used to pay for subscription of the Company's shares which is recognized by the competent state authorities of foreign exchange.

Article 19 Upon approval by the Company's examination and approval department authorized by the State Council, on the date of its establishment on 27 September 2002, the Company issued a total of 100,000,000 ordinary shares (at par value of RMB1.00 each), to the promoters of the Company,

among which, 79,500,000 shares, 8,000,000 shares, 3,700,000 shares, 3,600,000 shares, 2,750,000 shares and 2,450,000 shares were issued to Lingbao Stated-owned Assets Operation Co., Ltd\* (靈寶市國有資產經營有限責任公司), Sanmenxia Jinqu Group Co., Ltd\* (三門峽金渠集團有限公司), Lingbao City Electric Company\* (靈寶市電業總公司), Henan Xuanrui Assets Co., Ltd\* (河南軒瑞產業股份有限公司), Lingbao City Jinxiang Auto Parts Co., Ltd\* (靈寶市金象汽車零部件有限責任公司) and Lingbao Guoshi Mining Co., Ltd\* (靈寶郭氏礦業有限責任公司), respectively.

Upon approval by the competent securities department under the State Council, the Company's ordinary shares issued to its founders were subdivided into a total of 500,000,000 shares of RMB 0.20 each. The number of shares held by each founder increased accordingly.

Article 20 After the Company's establishment, upon the granting of approval from the China Securities Regulatory Commission on 7 December 2005, the Company issued 297,274,000 overseas listed foreign shares for the first time. On 7 February 2018, the Company issued 94,000,000 domestic shares by way of non-public issuance.

The current shareholding structure of the Company is: the Company's total number of shares is 864,249,091 shares, among which 566,975,091 are domestic shares and 297,274,000 are overseas listed foreign shares.

The number of shares held by the promoters of the Company are as follows: Lingbao Stated-owned Assets Operation Co., Ltd\* (靈寶市國有資產經營有限責任公司) holds 73,840,620 shares which represents 8.51% of the Company's total number of issued shares; Lingbao City Electric Company\* (靈寶市電業總公司) holds 17,435,687 shares which represents 2.02% of the Company's total number of issued shares; Lingbao Jinxiang Auto Parts Co., Ltd\* (靈寶市金象汽車零部件有限責任公司) holds 13,750,000 shares which represents 1.59% of the Company's total number of issued shares; and Lingbao Guoshi Mining Co., Ltd\* (靈寶郭氏礦業有限責任公司) holds 12,250,000 shares which represents 1.42% of the Company's total number of issued shares.

Domestic shares may be converted into H Shares upon approval by SEHK and by the State Council or the competent securities department under the State Council.

Article 21 For the purpose of the overseas listed foreign shares and the domestic shares, the Board may arrange and implement the plans with respect of issue of the shares above upon such plans are approved by the Company's competent securities authority under the State Council.

The Company's plans in respect to the issue of the overseas listed foreign shares and the domestic

shares shall be transacted for implementation 15 months since after the date of approval by the Company's competent securities authority under the State Council.

Article 22 To the extent of Company's issue plans, the overseas listed foreign shares and the Domestic Shares defined for the total shares to be separately issued shall be fully subscribed at offerings. If such full subscription becomes failed to do so due to special circumstances, these shares can be transacted to issue in different periods, upon approval by the Company's competent securities authority under the State Council.

Article 23 The Company's registered capital is RMB 172,849,818.2.  
In case of offerings of new shares, the Company shall be caused to adjust its registered capital and deliver the details of such offerings to be filed with the approval and security authorities under the State Council.

Article 24 The Company may increase its capital to meet its demand for the purpose of business and development, and its increase of capital may be approved subject to these Articles.

- (1) The Company may increase its capital by:
- (2) issuance of new shares to non-specific investors (including the offerings of shares to the public and strategic investors);
- (3) placing new shares to the existing shareholders;
- (4) offering bonus issue of new shares to the existing shareholders;
- (5) allocating capital reserve surplus to increase share capital;
- (6) issuance of convertible debentures;
- (7) formulating employee shareholding scheme by the laws and offer shares to the employee shareholding scheme; and
- (8) other approaches permitted by the laws and administrative statutes.

Upon approval obtained pursuant to these Articles, the Company's issuance of new shares for capital increase shall be made in accordance with the procedures required by the related PRC laws and administrative statutes.

Article 25 Except as otherwise provided by the laws and administrative statutes, shares in the Company may be transferred freely with no lien attached.

The domestic shares and the overseas listed foreign shares shall only be traded, donated, inherited and pledged in accordance with PRC laws and these Articles. The conveyance and transfer of shares of the Company shall be transacted for transfer procedures according to the related regulations.



The Company may sell the shares of untraceable shareholders and keep the proceeds created from such sale, if:

- (1) Shareholders have default in collection of dividends receivable upon distribution of the same for at least three times in the period of 12 years; and
- (2) The Company has published a public announcement to express the intent to sell shares upon approval by the competent securities authority under the State Council, and notified of such intent to the organization and the related overseas stock exchange regulatory organization.

Article 26 Upon transfer of the Company's shares, the transferee to such shares shall be deemed as the holder of such shares transferred so, and the transferee's name (designation) shall be thereby be recorded in the register of shareholders.

Article 27 With respect of the overseas listed foreign shares, the issue and transfer of the same shall be recorded into the register of shareholders to these shares as placed elsewhere in foreign country as stated in Article 42.

Article 28 At transfer of its shares, the shareholder of the overseas listed foreign shares may use the standard transfer form as required by SEHK or such transfer document as the Board thinks fit to transfer such shares in full or in part. The transferor and transferee to such shares shall be caused to set their hands onto the transfer document or in the printed name. In respect to the transfer herein, a complete pack of transfer documents shall be placed at the Company's legal address or other locations as the Board may possibly appoint, from time to time.

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

Article 29 The Company may reduce its registered capital in accordance with these Articles.

Article 30 The Company shall prepare a balance sheet and property inventory in case of capital reduction.

The Company shall give notice to its creditors within 10 days upon the resolution on capital reduction has been made and shall give press announcement thereon at least 3 times within 30 days. The creditors shall be entitled to ask the Company to discharge its debts or provide security over such debts within 30 days after receipt of such notice, or if no notice has been received, within 90 days since the date of the first announcement aforesaid. The Company's registered capital after capital reduction shall not be lower than its authorized minimum limits.

Article 31 The Company may by the approval given from the related government agency repurchase its shares outstanding if such repurchase is transacted to:

- (1) Cancel shares to reduce the Company's capital;
- (2) Merge into other company holding share in the Company;
- (3) Other circumstances where laws and administrative statutes.

Article 32 Upon approval by the competent authorities, the Company may repurchase shares by any of the following:

- (1) Make a repurchase offer to all shareholders on pro rata basis;
- (2) Initiate repurchase through open transaction on a securities exchange;
- (3) Transact repurchase by an agreement other than on a securities exchange.

Article 33 When the Company is to repurchase shares by an agreement other than on a securities exchange, the prior approval shall be obtained from the general meeting in accordance with the procedures provided for in these Articles. Upon approval of the general meeting obtained in the same manner, the Company may rescind or change contracts concluded in the manner set forth above or waive any of its rights under such contracts.

The contracts for the repurchase of shares in the preceding paragraph shall include (but not be limited to) the agreements whereby repurchase obligations are undertaken and the agreements whereby repurchase rights are granted.

No repurchase contracts in respect of the Company or any rights contained therein shall be assigned to others. For the redeemable shares which the Company has the right to repurchase, the price in such redeemable shares shall not be caused to exceed the highest limit whatsoever where such repurchase is not transacted via market nor bid. In case the repurchase is transacted via bid, the entire shareholders shall be communicated to the bidding proposals on equal terms.

Article 34 After its repurchase of shares to according to laws, the Company shall cancel the portion of such shares 10 days since after the repurchase date (or upon the period as required in the laws and administrative statutes, whichever is shorter); and shall apply to the original company registry for registration of the change in registered capital.

The Company's registered capital shall be reduced by the total par value of the shares so cancelled.

Article 35 Unless the Company has already gone into the liquidation proceedings, it must comply with the following provisions in repurchasing its issued and outstanding shares.

- (1) Where the Company buys back shares at par value, the amount thereof shall be deduced from the book balance of distributable profit and/or from the proceeds of fresh share issue made to repurchase the original shares;

- (2) Where the Company buys back shares at a price higher than their par value, the portion corresponding to their par value shall be deducted from the book balance of distributable profit and/or from the proceeds of fresh share issue made to repurchase the original shares. The portion in excess of the par value shall be handled according to the following methods:
  1. Where the share bought back were issued at their par value, the amount shall be deducted from the book balance of distributable profit;
  2. Where the shares bought back were issued at a price higher than their par value, the amount shall be deducted from the book balance of distributable profit and/or the proceeds of a fresh share issue made to repurchase the original shares; however, the amount deducted from the proceeds of the fresh share issue may not exceed the total premium obtained at the time of issuance of the original shares nor may it exceed the amount in the Company's premium account or capital reserve account (including the premium from the fresh share issue) at the time of repurchase.
- (3) The sums paid by the Company for the purposes set forth below shall be paid out of the Company's distributable profits:
  1. Acquisition of the right to repurchase its own shares;
  2. Modification of any contract for repurchase of its own shares;
  3. Release from any of its obligations under any repurchase contract.
- (4) After the par value of the annulled shares has been deducted from the registered capital of the Company in accordance with related regulations, that portion of the amount deducted from the distribution profit and used to repurchase shares at the par value of the bought back shares shall be included in the Company's premium account (or capital reserve account).

## **Section 5 Financial Assistance for Purchase of Company Shares**

Article 36 The Company or its subsidiaries shall not at any time provide any financial assistance in any from purchases or prospective ones of the shares in the Company. Purchasers of shares in the Company as referred to above shall include persons that directly or indirectly undertake obligations for the purpose of purchasing shares in the Company.

The Company or its subsidiaries shall not at any time provide any financial assistance in any form to the above obligators in order to reduce or discharge their obligations.

The circumstances described in Article 38 of these Articles are excluded from this Article for application.

Article 37 For the purpose of this Section, the term “financial assistance” shall include (but not be limited to) the

financial assistance in the forms set out below:

- (1) Gift;
- (2) Guarantee (including the undertaking of liability or provision of property by the guarantor in order to secure performance of the obligation by the obligator) (not including, however, indemnity arising from the Company's own fault and release or waiver of rights);
- (3) Provision of a loan or conclusion of a contract under which the obligations of the Company are to be fulfilled prior to the obligations of another party to the contract, or a change in the party to such loan or contract as well as the assignment of rights under such loan or contract; and
- (4) Financial assistance in any other form when the Company is insolvent or has no net assets or when such assistance would lead to a major reduction in the Company's net assets.

For the purpose of this Section, the term "undertake obligations" shall include the undertaking of an obligation by the obligor by concluding a contract or making an arrangement (whether or not such contract or arrangement is enforceable and whether or not such obligation is undertaken by the obligor individually or jointly with any other person) or by changing its financial position in any other way.

Article 38 The acts below shall not be considered as the ones prohibited in Article 36:

- (1) Where the Company provides the relevant financial assistance truthfully for the benefit of the Company and the main purpose of the financial assistance is not to purchase shares in the Company, or the financial assistance is an incidental part of an overall plan of the Company;
- (2) Lawful distribution of the Company's property in the form of dividends;
- (3) Distribution of dividends in the form of shares;
- (4) Reduction of registered capital, repurchase of shares, capital restructuring, etc, in accordance with these Articles;
- (5) Provision of a loan by the Company within its scope of business and in the ordinary course of its business (provided that the same doesn't lead to reduction in the net assets of the Company or that if the same constitutes a reduction, the financial assistance was paid out of the Company's distributable profits); and
- (6) The provision of money by the Company for an employee shareholding scheme (provided that the same does not lead to a reduction in the net assets of the Company or that if the same constitutes a reduction, the financial assistance was paid out of the Company's distributable profits).

## **Section 6 Stocks and Register of Shareholders**

Article 39 The Company's shares shall be in registered form.

The shares of the Company shall bear the following items:

- (1) Name of the Company;

- (2) Date of registration and establishment of the Company;
- (3) Type of shares, par value and the number of shares it represents;
- (4) Code of share certificate;
- (5) Other matters as required in the Company Law and by the securities exchange(s) on which the shares of the Company are listed.

Article 40 The share certificates shall be signed by the Board Chairman. Where the signatures of other senior management staff of the Company are required by the securities exchange (s) on which the Company's shares are listed, the share certificates shall also be signed by such other management staff. The share certificates shall become effective after the Company's seal is affixed thereto or printed thereon. The share certificates shall only be sealed with the Company's seal under the authorization of the Board. The signature of the Board Chairman or of other senior management staff on the share certificates may also be in printed form.

Article 41 The Company shall keep a register of shareholders, in which the following particulars shall be recorded:

- (1) The name, address (domicile), profession or nature of each shareholder;
- (2) The series and number of share held by each shareholder;
- (3) The amount paid or payable for the shares held by each shareholder;
- (4) The serial number of the shares held by each shareholder;
- (5) The date on which each shareholder is registered as a shareholder; and
- (6) The date on which each shareholder ceases to be a shareholder.

The register of shareholders shall be sufficient evidence of the holding of the Company's shares by a shareholder, unless there is evidence to the contrary.

Article 42 The Company may, pursuant to an understanding or agreement reached between the competent securities department under the State Council and a securities regulatory organization outside the People's Republic of China, keep outside the People's Republic of China its register of shareholder of overseas listed foreign shares, and appoint the administration thereof as the agent outside the People's Republic of China. The register of shareholders of the Company's overseas listed foreign shares in original text shall be kept in Hong Kong.

The Company shall keep at its domicile a duplicate of the register of holders of overseas listed foreign shares. The appointed agent outside the People's Republic of China shall ensure that the register of holders of overseas listed foreign shares and its duplicate are consistent at all times.

Where the original register of holders of overseas listed foreign shares is inconsistent to its duplicate,

the original shall prevail.

Article 43 The Company shall keep a complete register of shareholders.

The register of shareholders shall include the following parts:

- (1) A register kept at China Securities Depository and Clearing Company Limited, other than those provided for under items (2) and (3) of this Article;
- (2) The register of holders of overseas listed foreign shares kept in the place (s) of the securities exchange (s) outside the People's Republic of China on which the shares are listed; and
- (3) Register of shareholders kept in such other places as the Board may decide necessary for listing purpose.

Article 44 The various parts of the register of shareholders shall not overlap one another. The transfer of shares registered in a certain part of the register of shareholders shall not, during the continuance of the registration of such shares, be registered in any other part of the register.

Changes and corrections to each part of the register of shareholders shall be carried out in accordance with the laws of the places where each part is kept.

Article 45 The whole overseas listed foreign shares shall be transferred by an instrument in writing in any usual or common form (including, but not limited to the standard transfer document printed by SEHK) or any other form acceptable to the Board. The instrument of transfer of any share may only be executed by hand without seal. If the shareholder is the recognized clearing house (the "Recognized Clearing House") or its nominee as defined by the Securities and Futures (Clearing House) Ordinance (Chapter 571 of the Laws of Hong Kong), the instrument of transfer may be executed in mechanically-printed form.

All shares which have been fully paid-up may be freely transferred in accordance with these Articles, without lien of any kind attached thereon. The transfer document or any other document that are either related to the transfer of any share or shall cause to influence on the ownership of such share, shall be recorded for registration. In respect of the overseas listed foreign shares that are listed on SEHK, the same on transfer may no be accepted to the Board on no grounds, unless such transfer is satisfied to the following conditions:

- (1) A fee of HK\$2.50 (calculated per transfer document) paid to the Company, or paid at such higher amount as the Board may from time to time require (but not more than the amount agreed from time to time by the Listing Rules) for registration of transfer and other documents relating or which may cause to influence the right of ownership of the shares;
- (2) The instrument of transfer only relates to overseas listed foreign shares;

- (3) The stamp duty which is chargeable on the instrument of transfer has already been paid;
- (4) The relevant share certificate any and other evidence which the Board may reasonably require to show that the transferor has the right to transfer the shares have been provided;
- (5) It is intended that the shares be transferred to joint owners, the maximum number of joint owners shall not be more than four;
- (6) The Company doesn't have any lien on the relevant shares.

Article 46 No changes resulting from share transfers may be made to the register of shareholders within 30 days prior to general meeting or 5 days prior to the reference date set by the Company for the purpose of distribution of dividends.

Article 47 When the Company is to convene a general meeting, distribute dividends, and be liquidated or to carry out other acts requiring confirmation of equity interests, the Board shall decide a date for determination or equity interests. Shareholder whose names appear on the register at the end of that day shall be the shareholders of the Company.

Article 48 Any person who challenges the register of shareholders and requires his name (designation) to be entered into or removed from the register may apply to a competent court with jurisdiction for correction of the register.

Article 49 Any shareholder who is registered in the register of shareholders or requires his name to be entered into the register of shareholders may apply to the Company for issuance of a replacement shares in respect of such shares ("relevant shares") of his shares ("original shares") are lost.

Application for the replacements shares from holders of the domestic shares who have lost their certificates shall be transacted in accordance with the Company Law, Article 150.

Application for the replacement shares from holders of the overseas listed foreign shares who have lost their shares shall be transacted in accordance with the laws, securities exchange regulations and other relevant rules of the place where the original register of holders of overseas listed foreign shares is kept.

Application by holders of overseas listed foreign shares for replacement shares shall be satisfied to the following requirements:

- (1) The applicant shall submit the application in the form prescribed by the Company accompanied by a notarial certificate or statutory declaration. The notarial certificate or statutory declaration shall include the applicant's reason for the application, the circumstances and proof of the loss of the share certificate and a declaration that no other person may require registration as a

shareholder in respect of the relevant shares.

- (2) The Company shall not have received any declaration requiring registration as a shareholder in respect of such shares from any person other than the applicant before it decides to issue a replacement shares;
- (3) If the Company decides to issue a replacement shares to the applicant, it shall publish a public announcement of its intention to do so in the newspaper or periodicals designated by the Board; the period of the public announcement shall be 90 days, during which such announcement shall be published repeatedly at least once every 30 days;
- (4) Before publishing the public announcement of its intention to issue a replacement shares, the Company shall submit a copy of the announcement to be published to the securities exchange where it is listed and may proceed with publication after having received a reply from the securities exchange conforming that the announcement has been displayed in the securities exchange. The Company shall display the public announcement in the securities exchange for a period of 90 days.

If the application for issuance of replacement shares was made without the consent of the registered holder of the Relevant Shares, the Company shall mail to such shareholder a photocopy of the public announcement that it intends to publish;

- (5) At the expiration of the 90-day period provided for in (3) and (4) above, if the Company has not received any objection to the issuance of a replacement share certificate from any person, it may issue a replacement shares according to the application of the applicant;
- (6) When the Company issues replacement shares under this Article, it shall immediately cancel the original shares and record such cancellation and the issuance of the replacement shares in the register of shareholders;
- (7) All expenses relating to the cancellation of the original shares and the issuance of replacement shares shall be borne by the applicant. The Company shall be entitled to refuse to take any action until the applicant has provided reasonable guarantee.

Article 50 After the Company has issued replacement shares in accordance with these Articles, the name of either the bona fide purchaser who obtains the replacement shares above mentioned or of the shareholder who becomes the owner of such shares (if the same is the bona fide purchaser) shall not be deleted from the register of shareholders.

Article 51 The Company shall not be liable for any damages suffered by any person from the cancellation of the original shares or the issuance of the replacement shares, unless the claimant can prove frauds on the part of the Company.

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

Article 52 The Company's shareholders are persons that lawfully hold original shares of the Company and



whose names (designations) are entered in the register of shareholders.

Shareholder shall enjoy rights and have obligations according to the series and number of shares held by them. Holders of shares of the same series shall enjoy equal rights and have equal obligations.

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

Article 53 Holder of ordinary shares of the Company shall enjoy the following rights:

- (I) Collect dividends and other profit distributions on the basis of the number of shares held by them;
- (II) Participate or to appoint proxies to participate in general meetings and exercise voting rights;
- (III) Supervise and control the Company's business activities, and raise proposals or objections;
- (IV) Transfer shares in accordance with law, administrative statutes and these Articles;
- (V) Obtain related information in accordance with these Articles. These information shall include:
  - 1. These Articles upon payment of a charge to cover costs;
  - 2. The entitled access to the following and printing of the same after payment of reasonable costs:
    - 1) All parts of the register of shareholders;
    - 2) Personal information on the Company's directors, supervisors, president and other officers, including:
      - a. Current and previous names and aliases;
      - b. Principal address (domicile);
      - c. Nationality;
      - d. Full-time and other part-time occupations and duties;
      - e. Certified personal identification documents and their numbers; and
    - 3) The status of the Company's share capital;
    - 4) Annual report;
    - 5) Reports of the aggregate par value, number of shares, and the highest and lowest prices of each series of shares bought back by the Company since the last fiscal year as well as all the expenses paid by the Company therefore; and
    - 6) Minutes of general meetings.
- (VI) Participation in the distribution of remaining assets of the Company upon termination or liquidation at ratio of holding shares;

(VII) Other rights conferred by laws, administrative statutes and these Articles.

The Company may not exercise any power to freeze or infringe, in any other way, the rights carried by any share held by any person who enjoys interests, directly or indirectly, merely for the reason that such person has not disclosed his interests to the Company.

Article 54 A shareholders who desires to access to or obtain the information above mentioned shall deliver the written document which may prove the series and number of the shares he holds. The Company shall provide so as per the shareholder's request aforesaid after having recognized the identification status of the shareholder.

Article 55 Shareholder has the right to depend on the procedures mentioned in Article 232 hereunder to settle the decisions adopted by the shareholder's meeting and the Board that are in violation of laws, administrative statutes to have infringed such shareholder's legal rights or interests.

Article 56 Holders of ordinary shares of the Company shall have the following obligations:

- (1) To abide by these Articles and decisions adopted by the general meetings, maintain the Company for its reputation and support the Company for business development;
- (2) To pay subscription fee on the basis of the shares subscribed by them and the method of capital injection; and
- (3) To liable for the Company's debts to the extent of the shares held without quitting as a shareholder, unless otherwise required by laws and regulations;
- (4) Send expiated notice to the Company's equity registry and the Board to be filed with respect to the change at any time incurred to the legal representative, name of company, place of business, business scope and other material matters of the company as a holder of the Company's shares (except the clearing house or its nominee recognized by Hong Kong laws (the "Recognized Clearing House")) . In terms of the Recognized Clearing House, the change to its authorized signature, name of the company and address shall be noticed to the Company's equity registry for such change upon occurrence.
- (5) Other obligations imposed by laws, administrative statutes and these Articles.

Shareholders shall not bear any liability for further contribution to share capital other than the conditions agreed to by the subscriber of relevant shares at the time of subscription.

Article 57 Any shareholder holding five percent or more of the voting shares of the Company shall report to the Company in writing 3 work days since after the occurrence date of any pledge of the shares held.

Article 58 In addition to the obligations imposed by laws, administrative regulations or the listing rules of the

securities exchange(s) on which the shares of the Company are listed, the controlling shareholders (as defined in the articles hereinafter) may not, in the exercise of their shareholder's powers, make decisions detrimental to the interests of all or part of the shareholders as a result of such exercise of their voting rights on the matters set forth below:

- (1) Relieving a director or supervisor of the responsibility to act honestly in the best interest of the Company;
- (2) Approving a director or supervisor (for his own or another person's benefit) of depriving the Company of its property in any way, including (but not limited to) any opportunities that are favorable to the Company; or
- (3) Approving a director or supervisor (for his own or another person's benefit) of depriving other shareholders of their rights or interests, including (but not limited to) the rights to distributions and voting rights, unless pursuant to a restructuring of the Company submitted to and adopted by the general meeting in accordance with these Articles.

Article 59 The term "controlling shareholder" in the preceding Article shall refer to a person who meets any of the following conditions:

- (1) A person who, acting alone or on concert with others, has the power to elect more than half of the directors;
- (2) A person who, acting alone or in concert with others, has the power to exercise or control such exercise of thirty percent (inclusive) or more of the Company's voting rights;
- (3) A person who, acting alone or in concert with others, holds thirty percent (inclusive) or more of the issued and outstanding shares of the Company; or
- (4) A person who, acting alone or in concert with others, has defacto control of the Company in any other manner.

In terms of the "acting alone or in concert with others" as cited hereinabove, the same shall mean the acquisition by either of two persons and more of the voting rights to vote in respect of the Company by agreement (reached either verbally or in writing) so as to obtain the object to control or enforce such control the Company.

## **Section 8 General Meetings**

Article 60 The general meeting shall mean the authority of the Company and may exercise its powers according to laws.

Article 61 The general meeting may exercise the following powers:

- (1) Decide on the business policies and investment plans of the Company;
- (2) Elect and replace directors and decide on matters concerning the remuneration of directors;

- (3) Elect and replace the supervisors who are to be appointed from among the shareholders' representatives and decide on the matters regarding the remuneration of supervisors;
- (4) Examine and approve reports of the Board;
- (5) Examine and approve reports of the Board of Supervisors;
- (6) Examine and approve the Company's annual financial budget and final account proposals;
- (7) Examine and approve the Company's plans for profit distribution and making up losses;
- (8) Pass resolutions concerning increase or decrease in the Company's registered capital;
- (9) Pass resolutions on matters such as merger, division, dissolution or liquidation of the Company;
- (10) Pass resolutions on the Company's issue of debentures;
- (11) Pass resolutions on the employment, dismissal or refusal of employment of accounting firms by the Company;
- (12) Amend these Articles;
- (13) Examine and approve motions proposed by the shareholders who hold five percent (inclusive) and more of the Company's voting shares;
- (14) Other matters that laws, administrative regulations and these Articles require to be resolved by the general meeting.

Article 62 Without prior approval of the general meeting, the Company may not conclude any contract with any person other than a director, supervisor, president and other officers of the Company for the delegation of the whole business management or important business management of the Company to that person.

Article 63 The general meeting shall include annual shareholder's meeting and extraordinary shareholder's meeting. The general meeting shall be convened by the Board. Annual meeting shall be convened once a year and be held within six months following the preceding fiscal year.

The Board shall convene an extraordinary meeting of shareholders within two months after the occurrence of any of the following circumstance:

- (1) The number of directors is less than the number provided for in the Company Law or less than two-thirds prescribed in these Articles;
- (2) The losses of the Company that have not been made up to reach one third of the total share capital of the Company;
- (3) Shareholder holding ten percent (inclusive) and more of the Company's voting shares required in writing an extraordinary meeting of shareholders to be convened;
- (4) The Board considers that there is a need or the Board of Supervisors proposes a meeting; or
- (5) Two or more independent directors propose a meeting.

Article 64 prior forty-five days notice in writing informing all the registered shareholders of the matters to be

examined at the meeting as well as the date and place of such meeting. Shareholders that intent to attend the general meeting shall, within twenty days prior to the meeting, deliver a written reply to the Company on meeting attendance.

Article 65 When the Company is to hold an annual general meeting, shareholders who individually or jointly hold five percent (inclusive) and more of the total number of the Company's voting shares shall be entitled to propose motions in writing to the Company. The Company shall include in such meeting's agenda the matters which are referred to in the motions.

Article 66 The motion of the shareholder's general meeting shall meet the following requirements:

- (1) Its content doesn't contravene laws and regulations and falls within the scope of business and duties of the general meeting;
- (2) It has specific and detailed matters to be examined at the meeting; and
- (3) It shall be submitted or sent to the Board in writing.

Article 67 The Board shall examine the motions to the general meeting in the best interest of the Company and its shareholders in accordance with the preceding article.

Article 68 For the motion not elected into the shareholder's general meeting's agenda upon its decision, the Board shall explain and give account in respect of the same at such meeting.

Article 69 Shareholders with objection to the Board against its default inclusion of the motions such shareholder deliver into the agenda to the general meeting may ask to convene the extraordinary meeting in accordance with the procedures as prescribed in Article 91 contained herein.

Article 70 Based on the written replies received 20 days prior to a general meeting, the Company shall calculate the number of voting shares represented by the shareholders intending to attend the meeting. If the number of voting shares represented by the shareholders intending to attend the meeting is more than half of the total number of the Company's voting shares, the Company may hold the general meeting. If not, the Company shall within five days inform the shareholders once again of the matters to be examined at the meeting as well as the date and place of the meeting in the form of a public announcement. Upon notification by public announcement, the Company may hold the general meeting.

The matter without specified onto the meeting notice of an extraordinary general meeting shall not be decided.

Article 71 The notice of a general meeting is required to:

- (1) Be made in writing;
- (2) Bear the place, date and time of the meeting;
- (3) Record the register date of shareholding of the shareholder who is entitled to attend the meeting;
- (4) State the name and telephone number of the permanent connected person;
- (5) Describe the matters to be discussed at the meeting;
- (6) Provide to the shareholders the information and explanation for them to make a wise decision on the matters to be discussed. This principle shall apply (but not limited) to the circumstance that when the Company proposes a merger, repurchase of shares, reorganization of share capital or other restructuring, it shall provide the specific conditions and contract (if any) of the transaction under discussion and earnestly explain the cause and result of the transaction;
- (7) Disclose the nature and extent of conflict of interests, if any, of any director, supervisor, president and other officers in any matter to be discussed; provide an explanation of the difference, if any, between the way in which the matter to be discussed would affect such director, supervisor, president and other officers in his capacity as shareholder and the way in which such matter would affect other shareholders of the same category.
- (8) Contain the full text
- (9) Contain a conspicuous statement that shareholders entitled to attend and vote have the right to entrust one or more proxies to attend and vote on their behalf and that such proxy needs not be a shareholder;
- (10) State the time and place for the delivery of the meeting's proxy forms.

Article 72 The notice of a general meeting shall be entitled to the shareholders (whether or not entitled to vote thereat) by assigned persons or pre-paid mail to the recipient's address shown in the register of shareholders or by being published on the website of the Company. For holders of the Domestic Shares, the notice of a general meeting may also be given by public announcement.

The public announcement referred to in the preceding Article shall be published in one or more newspapers or periodicals designated by the competent securities department under the State Council during the period between 45 and 50 days before the meeting is held. Once the announcement is made, all holders of the Domestic Shares shall be deemed to have received the notice of the relevant shareholder's meeting.

The Company shall send the notice carried so onto the papers in the form of public announcement, to the sufficient communication extent, so as to enable the shareholders in Hong Kong to have the time sufficient enough to exercise respective rights or do the acts and things as required in the terms mentioned in such notice.

Article 73 With respect to the notice, materials or written statement of the Company's release communicated to

the holders of overseas listed foreign shares, the foregoing shall be sent either by hand or by postage mailed to every holder of such Shares. The notice mailed to the holders of the overseas listed foreign shares shall be sent from Hong Kong in every possible way.

Article 74 Since after delivery of the notice, the Board shall not change the time to convene the general meeting except force majeure or accidents. If such time is needed to change due to force majeure, the registration date of equity change shall not be changed, accordingly.

Article 75 Where the meeting notice that had been sent to the person entitled to receive the meeting hasn't been sent so due to omission, or the same person hasn't received the notice yet, the meeting and the decisions made at such meeting shall not be reduced to become null or void merely default of receipt of such meeting notice.

Article 76 Any shareholder entitled to attend and vote at a general meeting shall have the right to appoint one or more persons (who need not be shareholders) as his proxies to attend and vote on his behalf. Such proxy shall by the entrustment by the shareholder have the powers to:

- (1) Speak at the general meeting;
- (2) Make a resolution by voting, either at sole discretion or in conjunction with others;
- (3) Vote by raising hands or ballot, except that if a shareholder has appointed more than one proxy, such proxies may only exercise their voting rights by ballot.

Article 77 The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorized in writing, or if the appointer is a legal entity, either under seal or under the hand of a director or a duly authorized attorney. The letter of authorization in respect to proxy voting shall bear:

- (1) The name of proxy;
- (2) Voting vested to vote or not;
- (3) Voting vested to vote the interim business that may possibly included to the agenda at the general meeting; and the instructions to exercise the right of voting where the same right is vested.
- (4) Issue date of the letter of authorization and term;
- (5) The appointer's signature (or seal); or the seal representing the legal entity, together with the signature signed by the legal entity's director or its proxy duly authorized or person.

Article 78 The instrument appointing a voting proxy shall be deposited at the domicile of the Company or at such other place as specified in the notice of the meeting within 24 hours prior to the meeting at which the proxy is authorized to vote or within 24 hours prior to the specified time of the vote. Where the instrument is signed by another person authorized by the entrusting party, the power of attorney or other document authorizing the signature shall be notarized. The notarized power of attorney or other authorizing document shall be deposited together with the instrument appointing the voting proxy at

the domicile of the Company or at such other place as specified in the notice of the meeting.

If the appointer shall mean the legal person, its legal representative or the person authorized by resolution of its board of directors or other decision-making body shall be entitled to attend the Company's shareholder's meeting as the representative of such legal person. For the purpose of the meeting to attend, the legal representative acting on behalf of its legal person shall present his I.D. certificate and such effective evidence that may prove his qualification in the capacity of such legal person (except the clearing house or its nominee recognized by Hong Kong Laws (hereinafter referred to as the "Clearing House")); the proxy acting on behalf of his appointer as a legal person (except the Clearing House) shall present his I.D. certificate and the written letter of authorization released by the board of directors or decision-making body representing the appointer and by the representative authorized by the appointer by law.

If the shareholder is represented by the Recognized Clearing House, the same may delegate one person or more persons such shareholder thinks eligible to act as the representative on its behalf to attend any general meeting or such meetings of any category of shares; provided that the letter of authorization in respect of one person and more upon authorization shall bear the number and category of shares involved to such authorization. The person (s) authorized so may represent the Clearing House to exercise rights, as if such person(s) were the Company's individual shareholder.

Article 79 Any form issued by the Board to the shareholders for the appointment of proxies shall give the shareholders free choice to instruct their proxies to cast an affirmative or negative vote and enable the shareholders to give separate instructions on each matter to be voted during discussions at the meeting. The instrument of appointment shall specify that in the absence of instructions from the shareholder, the proxy may vote as he thinks fit.

Article 80 The Company is obliged to produce signature register for the meeting attendees. This signature register shall bear the name/designation of shareholder, amount of holding shares or voting shares; name proxy authorized to attend meeting, name/designation of shareholder who entrusts his proxy and more.

Article 81 Where the entrusting party has died, lost capacity for acts, revoked the proxy or the signed instrument of appointment prior to the voting, or the relevant shares have been transferred prior to the voting, a vote given in accordance with the terms of an instrument of proxy shall remain valid as long as the Company did not receive a written notice of the event before the commencement of the relevant meeting.

Article 82 Resolutions of the general meeting can be ordinary resolutions or special resolutions.



Ordinary resolutions of the general meeting shall be passed by more than half of the voting rights held by the shareholders (including proxies) present at the meeting.

Special resolutions of the general meeting shall be passed by more than half of the two-thirds of the voting rights held by the shareholders (including proxies) present at the meeting.

Article 83 When shareholders (including proxies) vote at the general meeting, they shall exercise their voting right according to the number of voting shares that they represent. Each share shall have one (1) vote.

Article 84 Votes of the general meeting shall be taken by a show of hands for resolution, unless the provision otherwise specified in the Listing Rules or the following persons require voting by ballot before or after any vote by a show of hands for resolutions:

- (1) The Chairman of the meeting;
- (2) At least two shareholders with voting rights or their proxies; or
- (3) One or more shareholders (including by proxy) who alone or together hold more than ten percent (inclusive) of the shares carrying the right to vote at the meeting.

Unless somebody proposes voting by ballot, the Chairman of the meeting shall declare whether the proposal has been adopted according to the results of the vote by a show of hands, and shall record the same in the minutes of the meeting, which shall serve as final evidence without having to state the number or proportion of the votes for or against the resolution adopted at the meeting. The demand for a vote by ballot may be withdrawn by the person who made it.

Article 85 If the matter demanded to be voted upon by ballot is the election of the Chairman or the adjournment of the meeting, a ballot shall be taken immediately. If a ballot is demanded for any other matters, such ballot shall be taken at the time decided upon by the Chairman and the meeting may proceed with the discussion or other matters; the results of the ballot shall still be regarded as a resolution passed at that meeting.

Article 86 When a ballot is held, shareholders (including proxies) having the right to two or more votes need not use all of their voting rights to cast affirmatives or negatives.

Article 87 When the number of votes for and against a resolution is equal, whether the vote is taken by raising hands or by ballot, the Chairman of the meeting shall be entitled to one additional vote.

Article 88 The following matters shall be resolved by way of an ordinary resolution of the general meeting:

- (1) Work reports of the Board and the Board of Supervisors;

- (2) Plans for distribution of profits and loss recovery drafted by the Board;
- (3) Removal of members of the Board and the Board of Supervisors, their remuneration;
- (4) The Company's annual budget, final accounts, balance sheet, profit statement and other financial statement; and
- (5) Matter other than those that laws, administrative regulations or these Articles require to be passed by way of a special resolution.

Article 89 The following matters shall be resolved by way of a special resolution of the general meeting:

- (1) Increase or decrease in the Company's share capital and issuance of any series of shares, warrants or other similar securities;
- (2) Repurchase of the Company's shares;
- (3) Issuance of the Company's debentures;
- (4) Division, merger, dissolution and liquidation of the Company;
- (5) Amendment of these Articles; and
- (6) Other matters that, as resolved by way of an ordinary resolution of the general meeting, may have a significant impact on the Company and require adoption by way of a special resolution.

Article 90 No related shareholders are allowed to vote by ballot with respect to the related transactions discussed at the shareholder's general meeting. The number of voting shares held by such related shareholders shall not be counted into the grand total of the effective votes.

Where any shareholder is, under the Listing Rules, required to abstain from voting on a particular resolution in a class meeting or restricted to voting in favor of or against any particular resolution in a class meeting, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

Article 91 An extraordinary general meeting required either by the Board of Supervisors or shareholders to convene shall proceed in accordance with the procedures set forth below:

- (1) The Board of Supervisors or two or more shareholders holding a total of ten percent (inclusive) or more of the shares carrying the right to vote at the meeting sought to be held may sign one or more written requests of identical form and substance requesting the Board to convene an extraordinary shareholder's general meeting or a meeting of shareholders of different series and stating the subject of the meeting. The Board shall convene the shareholder's general meeting or the meeting of shareholders of different series as soon as possible after having received the above-mentioned written request. The shareholding referred to above shall be calculated as of the day on which the written request is made; and
- (2) If the Board fails to issue a notice of such a meeting within 30 days after receipt of the written notice aforesaid, then the Board of Supervisors or shareholders who made such request may

themselves convene such meeting 4 months since after the Board's receipt of the request. The procedures to convene shall, to the extent possible, be identical to the procedures the Board convenes the general meetings.

When shareholders convene and hold a meeting because the Board failed to hold such meeting pursuant to a request as mentioned above, the reasonable expenses incurred by such shareholders shall be borne by the Company and shall be deducted from the sums owed by the Company to the negligent directors.

Article 92 The Board of Supervisors or shareholders may transact discretionary action to convene an extraordinary shareholder's general meeting according to the preceding article, if the count of directors is less than the legal minimum numbers as required in the Company Law; the losses on the Company failed to recover has come up to one-third of the aggregate Company's share capital; or the Board has default to convene the extraordinary shareholder's general meeting in the specified period.

Article 93 Except for involving trade secrets of the Company which can not be publicized, the Board and the Board of Supervisors shall make reply or explanation to the objections and proposals delivered by the shareholders.

Article 94 Shareholder's general meeting shall be convened and presided over by the Chairman of the board. Where the Chairman of the Board cannot attend such as meeting for any reason, the meeting shall be convened and presided over by the (a) Vice Chairman of the Board. Where both the Chairman and the Vice Chairman of the Board (or Vice Chairman of the Board) are unable to attend the meeting, the Board may designate a director of the Company to convene and preside over the meeting on its behalf. Where no Chairman is designated, the shareholders attending the meeting may elect one person to preside over the meeting. If for any reason the shareholders are unable to elect a Chairman, the shareholder holding the largest number of voting shares and attending the meeting (whether in person or by proxy) shall preside over the meeting.

An extraordinary general meeting can be transacted to vote at such meeting via communication.

Article 95 The approaches to nominate candidates to act as the director and supervision.

- (1) The director candidates and the candidates acting in the capacity of shareholder representative to the supervisor shall be numbered to the extent permitted under these Articles, and be included in the nominee list, drafted by the Board and the Board of Supervisors, proposed to elect director and supervisor at the number of candidates proposed to elect;
- (2) Supervisor's candidate acting in the capacity the Company's employee representative shall be nominated by the Company's Union;

- (3) A nomination committee shall assess these candidates nominated to act as director and supervisor to review qualifications and conditions as initial review. Candidates deemed as eligible shall be referred to the Board and the Board of Supervisors for further review. Upon decision adopted by the Board and the Board of Supervisors, details of these candidates shall be delivered to the general meeting as business in writing. The Board and the Board of Supervisors shall provide CV and profile information with regard to these candidates;
- (4) Candidates with respect to the nomination to act as director and supervisor shall be voted one by one at the general meeting;
- (5) In case the number of director and supervisor is added, the Board and the Board of Supervisors shall bring forward such addition to be elected or replaced at the general meeting with the exception to Article 112 paragraph 5;

Article 96 Resolution made at the general meeting shall be subject to the Chairman of meeting to decide for adoption or not. The Chairman's decision shall be final and be carried onto the meeting minutes.

Article 97 Where the delivered results in respect to some resolution created from voting are held in doubt, the meeting Chairman may ask to count votes; where the shareholders (their proxies) attending the meeting hold objections to the meeting Chairman upon his statement declared for the results without prior transaction of counting, these shareholders (their proxies) have the right to ask counting, and the meeting Chairman shall immediately arrange to count so.

Article 98 In case of vote counting, the counts created from votes cast at the shareholder's general meeting shall be carried onto the meeting minutes.

Article 99 The minutes with respect to the general meeting shall be recorded and signed by the directors attending such meeting and minutes' recorder. The minutes shall be filed with the Company and kept by the Secretary of the Board. The minutes shall be kept for 5 years.

Items to be carried onto the minutes of the shareholder's general meeting shall be:

- (1) Number of shares to vote at the shareholder's general meeting and the ratio of such shares in the grand total of the Company's shares;
- (2) Time and place of meeting to convene;
- (3) Name of person who presides over the meeting, and meeting agenda;
- (4) Speech points delivered by speaker in discussion of every transaction at the meeting;
- (5) Voting results of every transaction upon voting;
- (6) ( 6 ) Shareholder's opinions with respect to objections and proposals thereto, together with the reply or statement given by the Board and the Board of Supervisors in respect to such objections and proposals;

- (7) Other contents deemed by the general meeting and pursuant to these Articles to be carried onto the meeting minutes.

Article 100 The meeting minutes, together with the signature register for the shareholders present at the meeting and the letter of authorization representing proxy attendee shall be filed with the Company's domicile.

Article 101 The matters in respect to the shareholder's general meeting to be notarized shall include the number of meeting attendees, number of shares held by shareholders present at the meeting, results of voting against every business transacted, minutes and the legality of meeting procedures.

Article 102 Shareholder may access to the minutes with respect to the general meeting in printed copy at any time during the Company's business hours. For the purpose of these minutes to the shareholder's general meeting, the printed copy thereto required by any shareholder to the Company to deliver shall be sent 7 days upon receipt of the Company's reasonable costs in respect to such printed copy.

### **Section 9 Special Procedures for Shareholders of Different Classes**

Article 103 Shareholder who holds different classes of shares shall be class shareholders.

Shareholders of different classes shall enjoy rights and assume obligations in accordance with laws, administrative regulations and these Articles.

Article 104 The quorum required for the shareholders to attend the meetings for the shareholders of different classes shall be the ones who hold at least one-thirds of shares of such class issued.

If the Company intends to change or abrogate the rights of shareholders of different classes, it may do so only after such change or abrogation has been approved by way of a special resolution of the shareholder's general meeting and by a separate shareholder's meeting convened by the affected shareholders of that class in accordance with the Article 106 to Article 110.

Article 105 The rights of shareholders of a certain class shall be deemed to have been changed or abrogated in the following conditions:

- (1) An increase or decrease in the number of shares of such class, or an increase or decrease in the number of shares of a class having voting rights, distribution rights or other privileges equal or superior to those of the shares of such class;
- (2) A change of all or part of the shares of such class into shares of another class, or a conversion of all of part of the shares of another class into shares of such class or the grant of the right to such change;
- (3) A removal or reduction of rights to accrued dividends or cumulative dividends attached to shares

of such class;

- (4) A reduction or removal of a dividend preference or property distribution preference during liquidation of the Company, attached to shares of such class;
- (5) An addition, removal or reduction of share conversion rights, options, voting rights, transfer rights, preemptive rights to rights issues or rights to acquire securities of the Company attached to shares of such class;
- (6) A removal or reduction of rights to receive amounts payable by the Company in a particular currency attached to shares of such class;
- (7) A creation of new class of shares with voting rights, distribution rights or other privileges equal or superior to those of the shares of that class;
- (8) An imposition of restrictions or additional restrictions on the transfer or ownership of shares of such class;
- (9) An issuance of rights to subscribe for, or convert into, shares of such class or another class;
- (10) An increase in the rights and privileges of shares of another class;
- (11) Restructuring of the Company causes shareholders of different classes to bear liability to different extents during the restructuring; or
- (12) An amendment or cancellation of the provisions of this Section.

Article 106 Shareholders of the affected class, whether or not otherwise having the right to vote at shareholder's general meeting, shall have the right to vote at class meetings in respect of matters referred to in items (2) to (8) and (11) to (12) contained in Article 105, except that interested shareholders shall not have the right to vote at class meetings.

For the purpose of the preceding Article, the term "interested shareholders" shall mean:

- (1) The controlling shareholders as defined in Article 59 hereof under the Company's repurchase offer to all shareholders in the same proportion or under the Company's previous repurchase of its own shares through open transactions on a securities exchange in accordance with Article 32 hereof;
- (2) The holders of shares in relation to the arrangement other than on a securities exchange under which the Company has bought back its own shares in accordance with Article 32 hereof; or
- (3) The shareholders who shall bear the liability in a proportion lower than that of the liability borne by other shareholders of the same class, or such shareholders whose holding interests are different than the ones in other shareholders of the same class, under a restructuring proposal of the Company.

Article 107 Resolutions of a meeting of shareholders of different classes may be passed only by more than two-thirds of the voting rights of that class represented at the meeting in accordance with Article 106 hereof.

Article 108 When the Company is to hold a class meeting, it shall issue a prior 45 days notice in writing to the meeting to all the registered shareholders of that class to the effect that the matters to be examined at the class meeting as well as the date and place of the meeting. Shareholders that intend to attend the class meeting shall, within 20 days prior to the day of the meeting, deliver a written reply to the Company on meeting attendance.

If the number of shares carrying the right to vote at the meeting represented by the shareholders intending to attend the meeting is more than half of the total number of shares of that class carrying the right to vote at the meeting, the Company may hold the meeting of shareholders of different classes. If not, the Company shall within five days inform the shareholders once again of the agenda, time and place of the meeting in the form of a public announcement. Upon notification by public announcement, the Company may hold the class meeting.

Article 109 The notice of a class meeting shall be delivered only to the shareholders entitled to vote thereat.

Procedures transacted required for a class meeting to be held shall, to the extent possible, be identical to the procedures to which a general shareholder meeting convened are applied. The provisions required under these Articles related to the procedures transacted to hold a general meeting shall be applicable to class meetings.

Article 110 In addition to holders of other classes of shares, the holders of domestic shares and overseas listed foreign shares shall be deemed to be shareholders of different classes.

The special voting procedures for approval by a class of shareholders shall not apply:

- (1) where, as approved by way of a special resolution of the general meeting, the Company issues, either separately or concurrently, the Domestic Shares and overseas listed foreign shares every 12 months, and the number of the Domestic Shares and overseas listed foreign shares to be issued does not exceed twenty percent of the issued and outstanding shares of the respective categories; or
- (2) where the plan for issuance of the domestic shares and overseas listed foreign shares upon establishment of the Company is completed within 15 months after being approved by the competent securities department under the State Council.

## **Section 10 Board of Directors**

Article 111 There shall be a Board of Directors (the "Board") that consists of 11 members, 1 Chairman and Vice Chairman of the Board each and 4 independent directors.

The Board shall be independent from the controlling organizations (defined herein as those corporations, enterprises, or institutions with the status of legal person which control the Company).

The Board shall have one half of external directors (defined as those directors who do not hold office in the Company) and 2 and more of independent directors (defined as those directors who are independent to the shareholders and don't hold office in the Company).

Article 112 Director of the Board may hold office for 3 (three) years and may reelect after expiry of the previous term of office.

No written notice of an intent to nominate a director candidate and the willingness of such candidate to accept such nomination shall be sent prior to the date immediately following the date when the notice of the general meeting is sent or later than 7 days before such general meeting is convened. With respect to the communication period of this notice aforesaid, this period shall be effective since after the date of the Company's delivery of the notice with respect to such election, and such period shall not be caused to cease 7 days later than(or early than ) the convening date of the general meeting.

The Chairman and the Vice Chairman of the Board shall be elected and removed by affirmative votes of majority of all the members of the Board. The Chairman and the Vice Chairman of the Board shall serve a term of 3 (three) years and may serve consecutive terms if reelected upon expiry of the previous tenure.

Member of the Board may not be the Company's shareholder.

For any person appointed pursuant to these Articles to fill casual vacancy, the tenure in the capacity of director is effective only until the Company's commencement of the following annual general meeting at which new director shall be re-elected (The number of directors who fill casual vacancy of the board of directors in this clause shall not be contrary to the provisions of Article 63 (2) (a)).

No more than 2 (persons) of the Chairman and Vice Chairman of the Board and executive director) of the Company may be the officers of the controlling organization (the Chairman and Vice Chairman of the Board and executive director).

External director is required to have such time, knowledge and competencies sufficient enough that are necessary to discharge his duties. Discharge by the external director of his duties requires the Company to provide information in respect to such discharge where required. The independent director may report directly to the general meeting, CSRC and other related departments.



Article 113 Only the related laws and administrative regulations are observed can removal of director and president prior to expiry of respective tenure be made via special decision adopted at the general meeting (provided such removal shall not thereby cause to any affect on the claims against damages, if any, as mentioned in any contract).

Article 114 The Board shall be accountable to the general meeting and shall have the powers to:

- (1) Convene the general meeting and report on the Board's works to the meeting;
- (2) Implement the resolutions adopted at the general meeting;
- (3) Decide on business and investment plans of the Company;
- (4) Formulate the proposals of the Company's annual financial budgets and financial accounts;
- (5) Work on the plans in respect to the Company's profit allocation and loss recovery;
- (6) Design the plans of increase or decrease in the Company's registered capital and with respect to the issue of the Company's debentures;
- (7) Draft the plans of merger, division or dissolution of the Company;
- (8) Decide on the establishment of the Company's internal management organs;
- (9) Appoint or remove the Company's members of the Management Executive Committee, President, Secretary to the Board, Senior Executive Vice President, Financial Controller and determine their remunerations;
- (10) Produce the basic management system of the Company;
- (11) Formulate plan to amend these Articles;
- (12) Decide on the material investment, asset pledge and other guarantee (not including guarantee for controlling subsidiaries) matters in respect of the Company to the extent authorized by the shareholders meeting;
- (13) Listen to the work reports by the President and inspect the President's works;
- (14) Exercise any other powers conferred by the laws, regulations, general meeting and pursuant to these Articles.

Resolutions by the board of directors on matters referred to in the preceding Article may be passed by the affirmative vote of more than half of the directors with the exception of resolutions on matters referred to in items (6), (7) and (11), which shall require the affirmative vote of more than two-thirds of the directors.

Decisions in respect to the Company's related transactions made by the Board shall become effective only signing of the same by the independent director (non-executive director). Opinions delivered by the independent director (non-executive director) shall be stated in the decisions made by the Board.

Article 115 In respect of the audit report with qualified opinions released from the certified public accountants, the Board shall present statement respecting such report at the general meeting.

Article 116 The Board shall draft board meeting agenda so as to insure to transact acts and doing effective and make sophisticated decisions.

Article 117 When the Board disposes of fixed assets and the sum of the expected value of the consideration for the proposed disposal and the value of the consideration for disposal of fixed assets made in the four months immediately preceding the proposed disposal exceeds thirty-three percent of the value of the fixed assets shown in the last balance sheet placed before the general meeting, the Board may not dispose of the fixed assets or agree on such disposal without the prior approval of the general meeting shareholders.

For the purpose of this Article, the term “disposal of fixed assets” shall include the assignment of a certain interest in assets other than by way of security.

The validity of transactions whereby the Company disposes of fixed assets shall not be affected by the breach of the first paragraph of this Article.

In respect to the Board's decisions to make for the purpose of market development, M&A and investments in new fields, the Board shall appoint external consulting services organization to provide professional opinions as the basis that underlies the Board's decision to make insofar as the projects with respect to the investments or the assets under M&A aforesaid are amounted to ten percent and above of the Company's total assets.

Article 118 The Chairman of the Board has the powers to:

- (1) Preside over a general meeting, convene and preside over the meeting of the Board;
- (2) Examine implementation of the Board’s resolution;
- (3) Sign bond certificate issued by the Company;
- (4) Sign important documents of the Board meetings and other documents that require signing by the Company’s legal representative;
- (5) Exercise the powers of the legal representative;
- (6) Handle the Company’s affairs in accordance with laws and in the interest of the Company in case of any emergency case caused due to natural disasters or other force majeure incidents, and report to the Board and general meeting thereafter; and
- (7) Other powers granted by the Board.

The Vice Chairman may take place the Chairman of the Board to fulfill duties if the Chairman is unable to fulfill such duties.

The Board may confer its powers and rights in part to the Chairman of the Board during the period the Board is not in session.

Article 119 Meeting of the Board shall be held at least twice a year. Meeting of the Board shall be convened by the Chairman of the Board by giving a notice to all directors 10 days before such meetings are held.

The Chairman of the Board may convene an extraordinary general meeting, if it is one of the following:

- (1) The time at which the Chairman of the Board thinks is necessary;
- (2) Joint proposal delivered by one-third and more of directors;
- (3) Proposal by the Board of Supervisors; or
- (4) Proposal by the President.

Article 120 An extraordinary meeting of the Board can be held by way of telecommunication. Meeting notice is not restricted to the prior 10 days notice made to deliver; provided such notice shall be duly served to directors.

Where the Chairman of the Board cannot fulfill his duties due to the circumstances as mentioned in (2), (3) and (4) contained in Article 119 hereof, a Vice Chairman of the Board and one director shall be appointed to convene such meeting. If the Chairman of the Board is in default of discharge of his duties, and there is no person appointed to take place to resume such fulfillment, the Vice Chairman of the Board or more than half of directors may jointly recommend one director to take charge to convene the meeting.

Article 121 The notice of meeting of the Board shall contain the following contents:

- (1) Date and place of board meeting;
- (2) Meeting period;
- (3) Issues and business transactions;
- (4) Issue date of meeting notice.

Article 122 The board meeting may be held only if more than half of directors attend (including the directors appointed to attend pursuant to Article 124 hereof).

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

If the number of votes for and against a resolution is equal, the Chairman of the Board shall be entitled to one additional vote.

Resolution at the board meeting is voted by show of hand.

Where the materials applied to make decision are deemed by one-fourth directors or two external directors and above as insufficient or contain less explicit argumentations, they may propose in joint name to defer the board meeting or the business under discussion at the board meeting. If it is the case, the Board shall accept such proposal.

Article 123 The Board may present resolutions made at an extraordinary board meeting via fax insofar as the directors are assured to give full expression of opinions. Directors at the meeting shall sign the resolutions.

Article 124 Director shall attend board meeting in person. If a director cannot attend a meeting for any reason, he may appoint in writing another director to attend the meeting on his behalf as proxy; provided such appointment shall be held for independent legal liability. The letter of authorization for such appointment shall bear the name of proxy, business appointed to transact, extent of authorization and effective period,

A director who attends a meeting on behalf of another director shall exercise the rights of a director within the scope of authority granted. If a director fails to attend a meeting of the board of directors and has not appointed a representative to attend on his behalf, he shall be deemed to have waived his voting rights in respect of that meeting.

Article 125 The Board shall cause minutes to be kept of decisions in relation to matters considered at their meetings, and the minutes shall be signed by directors attending the meeting and the person recording the minutes. The directors who attend meeting have the right to ask to have their speech delivered at the meeting recorded onto meeting minutes. The directors shall bear liability for the decisions of the Board. Where a resolution of the Board is in violation of laws, administrative regulations or these Articles, thereby causing serious losses to the Company, the directors who took part in the resolution shall be liable to the Company for damages. However, where a director can prove that he expressed his opposition to such resolution when it was put to the vote, and that such opposition was recorded in minutes of the meeting, the director may be relieved from such liability.

The minutes of the board meeting shall be filed with the Company and kept by the Secretary of the Board. The minutes of the board meeting shall be kept for 5 years.

Article 126 The minutes of the board meeting shall bear the following contents:

(1) Date and venue for the convention of meeting and name of person summoning the meeting;

- (2) The name of director present and the name of director (proxy) being appointed to attend on the other's behalf;
- (3) Meeting agenda;
- (4) Points of director's speech;
- (5) The way to vote every business transacted and the results upon voting. The voted results shall bear the counted affirmative or negative votes or the count of waivers.

Article 127 The following persons shall not be conferred the capacity as the independent director:

- (1) The Company's shareholder or on-the-job person of such shareholder's company;
- (2) The in-house person of the Company;
- (3) The related persons to the Company or such persons who have interest relationship with the Company's officers.

Article 128 There shall be an audit committee in the Company. The audit committee shall be accountable to and report to the Board. The audit committee shall do the acts and things to the extent of duties conferred by the Board upon decision from time to time. The audit committee shall have the powers as the Board grants after decision from time to time.

The audit committee shall consist of 3 members, appointed by the Company from directors.

### **Section 11 Secretary of the Board of Directors**

Article 129 There shall be a Secretary to the Board. This Secretary to the board of directors shall be some officer of the Company and responsible for the Board.

Any person of managing body of the controlling organization shall not be held in the capacity of the Secretary.

Article 130 The Secretary to the Board shall be a natural person. This Secretary shall be appointed by the Board to hold office and also required to have the necessary professional knowledge and experience.

In the context of these Articles, the circumstances that director shall not be held in office shall be applicable to the Secretary of the Board.

With respect of its duties, the Secretary of the Board is required to:

- (1) Insure the Company's organization documents and records complete;
- (2) Prepare for board meetings and the general meeting; take charge to keep minutes, documents and records with respect to meeting;
- (3) Insure the Company's preparation by law of the documents and reports and delivery of the same

required by the relevant authorities;

- (4) Assure proper creation of the Company's register of shareholders and the rights to which persons are entitled to obtain the related records and documents of the Company to get such records and documents properly in due time;
- (5) Take charge of the Company's information for disclosures, and insure such information are disclosed immediate, accurate, legal, authentic and integral;
- (6) Other duties required by these Articles and the related laws and regulations;
- (7) Organize to record the business transacted at the board meeting for summary, sign off the decisions and take on the liabilities for accurate records.

Article 131 A director or other officers (except the President and Financial Controller) may also act as the Secretary to the Board. An accountant of accounting firm and attorney of law firm, appointed by the Company, may not act as the Secretary to the Board. Where the Secretary to the Board is held concurrently by a director, and a certain act is required to be done by a director and the Secretary to the Board separately, the person who concurrently holds the office of director and Secretary to the board of director may not perform such act in both capacities.

## **Section 12 Board of Supervisors**

Article 132 The Company shall establish the Board of Supervisors.

Article 133 The Board of Supervisors shall consist of 5 supervisors, including one Chairman. A supervisor shall hold in office for 3 years and shall be subject to re-election.

Election or removal of the Chairman of the Board of Supervisors shall be determined by two-thirds (inclusive) and more of the Board of Supervisors.

Where the Chairman of the Board of Supervisors cannot serve his duties, the Chairman may appoint one supervisor to represent on his behalf to exercise powers.

Article 134 The Board of Supervisors shall consist of shareholder's representative, the Company's employee representative and external supervisor (External supervisor shall mean the supervisor not act in the capacity of the Company's in-house supervisor, the same below). The supervisor in the capacity of the shareholder's representative and the external supervisor shall be caused to elect and remove adopted at the general meeting. The supervisor in the capacity of employee representative shall be caused to take office through democratically election and removal by the Company's employees. The supervisors represented by the Company's employee representative shall not be numbered less than one third of the supervisors.

The Board of Supervisors shall at least consist of the external supervisors at the number more than half of the number of supervisors. Of the supervisors, two and more shall be independent supervisors (Independent supervisor shall mean the supervisor independent from the shareholders and act in no capacity of the Company's supervisor). The independent supervisor has the right to deliver the independent report to the general meeting in respect of the Company's officers for faith and diligence.

Article 135 The Company's director and officers shall not hold concurrent office as a supervisor.

Article 136 Supervisor who are not present at the meeting of the Board of Supervisors for consecutive 2 times shall be deemed as default of duties, and the defaulting supervisor shall be removed upon adoption at the general meeting or the assembly of employee's representative.

Article 137 Supervisor may resign prior to his tenure expires. The provisions hereto with respect to the director resignation are applicable to the supervisors.

Article 138 The Board of Supervisors shall hold two meetings at least every six months, convened by the Chairman of the Board of Supervisors.

Article 139 The Board of Supervisors shall be accountable to the general meeting and have the powers by law to:

- (1) Examine the Company's financial affairs;
- (2) Supervise the Company's directors, President and officers to see whether they violate any laws, regulations or these Articles during their performance of Company duties;
- (3) Require a director, President or officers of the Company to correct an act that is detrimental to the Company's interests;
- (4) Verify financial information such as financial reports, business reports, profit distribution plans and more that the Board intends to submit to the general meeting, or appoint a registered accountant or practicing auditor, in the name of the Company, to assist in reviewing such information if the same are in doubt;
- (5) Propose holding of an extraordinary general meeting;
- (6) Represent the Company in negotiating with or instituting legal proceedings against a director; and
- (7) Other functions and powers provided for in these Articles.

Supervisors shall attend meetings of the board of directors.

Article 140 All supervisors shall be given the notice in respect to the meeting of the Board of Supervisors in written form to be sent not less than 10 days prior to the convening of the meeting. The meeting of the Board of Supervisors shall be held only more than one half of its members attend. Each supervisor has

one voting right to vote at the meeting. Resolution of the meeting of the Board of Supervisors shall be passed by the affirmative vote of more than two-thirds (inclusive) of all of its members.

The notice with respect to the meeting of the Board of Supervisors shall bear the following items: the date and place of meeting to convene, meeting period, subjects and business transacted at the meeting as well as the issue date of such notice.

Article 141 In the exercise of its functions and powers by the Board of Supervisors, the reasonable expenses created from in the employment of professionals such as lawyers, registered accountants, and practicing auditors shall be borne by the Company.

Article 142 Meeting of the Board of Supervisors shall be recorded for minutes, Supervisors attending the meeting and the person who takes note of meeting minutes shall sign the meeting minutes. Supervisors are entitled to have their speech of opinions recorded on the meeting minutes. The records of the meeting minutes of the Board of Supervisors shall be filed with the Company and kept by the Secretary to the Board as file. The meeting minutes shall be kept for 5 years.

Article 143 Supervisors shall faithfully perform their supervisory duties in accordance with laws, administrative regulations and these Articles.

### **Section 13 President**

Article 144 The Company shall have one President who will be appointed or removed by the Board.

Article 145 The President shall be accountable to the Board and has the powers to:

- (1) Take charge of the Company's production and business operations; and organize to implement the Board's resolutions;
- (2) Organize to carry out the Company's annual operation and investment plans;
- (3) Draft the Company's internal managing structures;
- (4) Set up the Company's basic frameworks;
- (5) Set up the Company's basic rules;
- (6) Take charge to deliver annual work report and other reports to the Board;
- (7) Propose to employ or remove Senior Executive Vice President and Financial Controller;
- (8) Employ or remove other officers not included to the ones who shall be employed or removed by the Board and decide remunerations for such other officers;
- (9) Propose to convene an extraordinary meeting of the Board;
- (10) Exercise other powers pursuant to these Articles and conferred by the Board.

As approved by the Board of Directors of the Company, the Company can establish a Management



Executive Committee and the Management Executive Committee and/or its members shall exercise operation and management rights (including the whole or part of the above powers of the President). The Chairman and President are members of the Management Executive Committee, and the other members are subject to the approval of the Board of Directors. The Board of Directors of the Company is responsible for determining the relevant rules of the Management Executive Committee.

Article 146 The President may attend the meeting of the Board; provided a non-director President hasn't the voting right to vote at the meeting of the Board.

Article 147 In exercise of his powers, the President shall discharge his duties in due diligence in good faith, in accordance with laws, regulations and these Articles.

#### **Section 14 Director, Supervisor, President and Other Officers**

Article 148 Any person is one of the following may not serve as a director, supervisor, President or other officers of the Company:

- (1) Without capacity or with limited capacity for civil acts;
- (2) Sentenced for crimes in respect to corruption, bribery, encroachment or embezzlement of property or disruption of the social or economic order where five years have not lapsed following serving of sentence, or deprived of political rights due to committing a crime where five years have not lapsed following the serving of the sentence;
- (3) Directors, or factory directors or managers who bear personal liability for the bankruptcy or liquidation of their Companies or enterprises due to mismanagement where three years have not lapse following the date of completion of such bankruptcy or liquidation;
- (4) The legal representative of company or enterprise that had their business license revoked for breaking the law, where such representatives bear individual liability therefore and three years have not lapsed following the date of revocation of such business license;
- (5) Has relatively larger individual debts that have not been settled upon maturity;
- (6) Included to the investigation by the judicial authorities established as a result of violation of criminal law and such case has not been closed;
- (7) May not act as leaders of enterprises by virtue of laws and administrative regulations;
- (8) Non-natural person; and
- (9) Judged by a relevant organization in charge as violation to the securities-related regulations, where such violation has involvement either in fraudulent or dishonest acts, and the period of five years hasn't lapsed following the date of such ruling.

Article 149 The validity of an act of a director, President or other officers of the Company on behalf of the Company towards a bona fide third party shall not be affected due to nonconformance in his current position, election or qualifications.

Article 150 In addition to discharge of such obligations that are imposed by laws, administrative regulations or the listing rules of securities exchange (s) on which shares of the Company are listed, the Company's directors, supervisors, President and other officers shall also discharge the following obligations to each shareholder in exercise of respective functions and powers granted by the Company:

- (1) Control the Company's acts and doings limited to its scope of business as mentioned in the Company's Business License;
- (2) Act honestly in the best interests of the Company;
- (3) Not to deprive the Company of its property in any way, including (but not limited to) any opportunities that are favorable to the Company; and
- (4) Not to deprive shareholders of individual rights or interests, including (but not limited to) the distribution and voting rights, unless pursuant to a restructuring of the Company submitted to and adopted by the general meeting in accordance with these Articles.

Article 151 The Company's directors, supervisors, President and other officers shall have an obligation, in the exercise of their rights or discharge of their obligations, to perform their due acts with care, diligence and skill as a reasonable and prudent person should do under similar circumstances.

Article 152 Under no authorizations conferred pursuant to these Articles or granted by the Board, no director shall represent the Company or its Board to engage to any acts or doings in the name of such director individually. When such acts or doings are transacted in the name of director, the director shall deliver prior statement with respect to his standing position and status under such circumstance that any third party shall be enabled to reasonably deem that the director's doing so represents the Company or its Board.

Article 153 The Company's directors, supervisors, President and other officers shall, in the exercise of their duties, abide by the principles of honesty and credibility and shall not place themselves in a position where there is a conflict between their personal interests and their duties. This principle shall include (but not limited to) the fulfillment of the following obligations:

- (1) Act honestly in the best interests of the Company;
- (2) Exercise powers within the scope of their functions and powers and not to act beyond such powers;
- (3) Personally exercise the discretion invested in him, not to allow himself to be manipulated by another person and not to delegate the exercise of his discretion to another party unless permitted by laws and administrative regulations or with the consent of the shareholders' general meeting that has been informed;
- (4) To be impartial to shareholders of the same category and of different categories;
- (5) Not to conclude a contract or enter into a transaction or arrangement with the Company, except

as otherwise provided in these Articles or with the consent of the general meeting that has been informed;

- (6) Not to use the Company property for his own benefit in any way without knowing to the general meeting nor consent;
- (7) Not to use his functions and powers as a means to accept bribes or other forms of illegal income, and not to illegally appropriate Company property in any way, including (but not limited to) any opportunities that are favorable to the Company;
- (8) Not to accept commissions in connection with Company transactions without consent by the general meeting without knowing of such acceptance;
- (9) To abide by these Articles, perform his duties faithfully, protect the interests of the Company and not to seek to obtain personal gain with his position, functions and powers in the Company;
- (10) Not to compete with the Company in any way without consent by the general meeting without knowing of such competition;
- (11) Not to embezzle the Company's funds or lend them to others, nor to deposit the Company's assets in accounts opened in his own or in another's name, nor to use the Company's assets as security for the debts of the Company's shareholders or other individuals; and
- (12) Not to disclose confidential information relating to the Company that was acquired by him during his office, with no consent by the general meeting without knowing and nor to use such information except in the interests of the Company; provided, however, such information may be disclosed to the court or other government authorities if:
  1. Provisions required by law;
  2. Required in the public interest; or
  3. Required in the own interest of such director, supervisor, President or other officers of the Company.

- Article 154 In accordance with his fiduciary duties, a director, supervisor, President or other officers of the Company shall not cause the following persons or organizations (“connected person”) to undertake any activity which the director, supervisor, President or other officers is prohibited from undertaking:
- (1) The spouse or minor child of such director, supervisor, manager or President or other officers of the Company;
  - (2) The trustee of a director, supervisor, President or other officers of the Company or of any person referred in item (1) hereof;
  - (3) The partner of a director, supervisor, President or other officers of the Company or of any person referred in items (1) and (2) hereof;
  - (4) The company over which a director, supervisor, supervisor, President or other officers of the Company, alone or jointly with any person referred to in items (1), (2) and (3 ) hereof or any other director, supervisor, President or other officers of the Company have de facto control; and
  - (5) A director, a supervisor, the President or other officers of a company being controlled as referred

to in item (4) hereof.

- (6) With respect to the “connected person” to director, a supervisor, the President or other officers of the Company, it shall have the meaning as defined in the Listing Rules, from time to time.

Article 155 The credibility to which the Company's directors, supervisors, President and other officers are obliged shall not necessarily be ceased with the termination of their office. This confidentiality obligation in relation to the Company's trade secrets shall remain upon termination of their office. The term for which other obligations shall continue shall be decided upon in accordance with the principle of fairness, depending on the time lapse between the termination and the occurrence of the matter as well as the circumstances and conditions under which the relationship with the Company terminates.

Article 156 A director, supervisor, President or other officers of the Company may be relieved from liability for a specific breach of obligations after the general meeting shareholders has been informed of so, except in circumstances as specified in Article 58 hereof.

Article 157 Except the exclusions stated at below, no director shall vote resolutions of the Board in respect to any contract or arrangement such director or any of its connected person has material interest, obtained either through the director or via other proposals the same delivers, nor shall such director be counted in the quorum of the meeting. These exclusions shall mean:

1. (1) Guarantee in respect to pledge or compensation of any kind provided to the director or its connected person for the purpose of (1) the borrowing given from the director or its connected person to the Company or to any of its subsidiary; or (2) the liability to which the director or its connected person are incurred or obliged at the request of the Company or at its subsidiary for the purpose of their interests; or  
(2) The director or its connected person becomes the responsible person, either due to guarantee to any security or compensation, or resulting from previous assumption (whether individually or jointly) of debts or obligations in full or in part with one security for the Company or its subsidiary which provides security or compensation guarantee to third party in respect of such debts or compensation;
2. The ownership by the director or its connected person of interests or prospective interests obtained from participation to contracted or subcontracted distribution or the shares, debentures or other securities of the Company or other company (the company initiated by the Company and the Company has interests in such company) in the proposals, either offered by any person or the Company to subscribe or purchase;
3. Interest owned, directly or indirectly, by the director or its connected person (whether or not acting in the capacity of officer or administration officer or shareholder) due to proposals presented by any other related company; or shares the director or its connected person may beneficially own

due to proposals presented by any other related company; provided the total shares of any series in ownership of the director or its connected person obtained not from combination (or the ownership of interest in third party company obtained so) are not more than five percent and more of such shares issued and outstanding;

4. Proposals or arrangement respecting the interests in employees of the related company or subsidiary, including:

- (1) Adoption, amendment or implementation of employee stock plan, share award plan or share option plan in which the director or its connected person has interests; or
- (2) Adoption, amendment or implementation of retirement fund plan, retirement plan or death plan or disability interest plan in respect of the directors of the Company or of its subsidiary and to the director or its connected person, wherein such director (or its connected person) is not given the preferences or interests generally granted to the persons related to such plans aforesaid; and

5. The interests in the director or its connected person owned in the same manner as other holders of the Company's shares or debentures or other securities only due to such interests wherein the director or its connected person has interests of the said shares or debentures or other securities in the contract or arrangement.

If a director, supervisor, President or other officers of the Company has material interest, directly or indirectly vested, in a contract, transaction or arrangement concluded or planned by the Company (except his employment contract with the Company), the same shall disclose the nature and extent of his interest to the Board at the earliest opportunity, whether or not the matter is normally subject to the approval of the board of directors.

Unless the interested director, supervisor, President or other officers of the Company has disclosed such interest to the Board as required under the preceding paragraph hereof and the matter has been approved by the Board at a meeting in which he was not counted in the quorum and had refrained from voting, the Company shall have the right to void the contract, transaction or arrangement, except the other party is a bona fide party acting without knowledge of the breach of obligation by the director, supervisor, President or other officers concerned.

A director, supervisor, President or other officers of the Company shall be deemed to have an interest in any contract, transaction or arrangement in which a Connected Person of that director, supervisor, President or other officers has an interest.

Article 158 If a director, supervisor, President or other officers of the Company gives a written notice to the Board before the conclusion of the contract, transaction or arrangement is first considered by the Company, stating that due to the contents of the notice, he has an interest in the contract, transaction or arrangement that may subsequently be made by the Company, such director, supervisor, President or other officers of the Company shall be deemed for the purposes of the preceding articles of this Section to have declared his interest, insofar as attributable to the scope stated in the notice.

Article 159 Where director has default of attending the meeting of the Board in person for two consecutive times, nor appoint other directors as proxy to attend so, such director shall be deemed as default of his duties, and such default shall be delivered to the general meeting to remove such director.

Article 160 Director may ask to resign before his tenure expires. Director shall deliver resignation report in writing to the Board on resignation.

Article 161 Where the count of the members of the Board is less than its quorum due to director's resignation, the director's delivery of his resignation report shall be taken effect only after fill of his post by the director of the subsequent election.

Upon any director's resignation, the remaining directors shall thereby immediately hold an extraordinary general meeting to elect successor to fill the vacancy created from such resignation. Prior to the creation of a resolution adopted by the general meeting with respect to the election of successor director, the powers to the director to resign and the remaining directors shall be reasonably restricted.

Article 162 Any director who takes discretionary leave from his office before expiry of his tenure whereby causes to losses to the Company shall be held liable for compensation to such losses.

Article 163 The Company may not, in any manner, contribute taxes on behalf of its directors, supervisors, President or other officers.

Article 164 To the permitted extent of applicable laws and regulations, the Company may:

- (1) Purchase and maintain liability insurance for the Company's directors;
- (2) Except director's act or omission of the Company's director that either violates the Article 155 and 158 contained herein or serious misconduct or improper fraud, the Company shall hold the director indemnified with the Company's property for the director's personal defense against the liability in civil or criminal lawsuit under proceeding or charged from his act or omission as the Company's director under the following circumstances:
  1. Lawsuit sentenced in favor to the director;

2. Lawsuit wherein the director is not sentenced guilty ; or
3. Petition permitted by court pursuant to laws to deliver in respect to waiver such act or omission held for liability.

Article 165 The Company may not provide, directly or indirectly, a loan or loan guarantee to its director, supervisor, President or other officer, nor the person related to the foregoing officers.

The provisions of the preceding paragraph shall not apply to the following circumstances:

- (1) The Company's provision of loan security to the Company's subsidiary;
- (2) Provision of a loan or loan guarantee or other funds by the Company to a director, supervisor, President or other officers of the Company under an employment contract approved by general meeting of the shareholders, so as to enable the said director, supervisor, President or other officers to pay for the expenses created for the sake of the Company or for respective performance of duties to the Company; and
- (3) Provision of a loan or loan guarantee only on normal commercial terms by the Company to the relevant director, supervisor, the President or other officers of the Company or to a connected person thereof, to the normal extent of the Company's business scope.

Article 166 A loan provided by the Company in violation of the preceding Article shall be immediately repayable by the recipient of the loan, regardless of the terms of the loan.

Article 167 A guarantee provided by the Company in breach of the first paragraph of Article 165 shall not be enforceable against the Company, except in the following circumstances:

- (1) The lender was not aware of the circumstances at the time the loan was advanced to the connected person of a director, supervisor, President or other officers of the Company or its holding company;
- (2) The security provided by the Company has been lawfully sold by the lender to a bond fide purchaser.

Article 168 For the purpose of the foregoing Article of this Section, a “guarantee” includes the undertaking of obligations and the provisions of security over property by the guarantor to secure the obligator’s performance of obligations.

Article 169 Apart from any rights and remedies provided by law and administrative regulations, where a director, supervisor, President or other officers of the Company is breach of his obligations to the Company, the Company has the right to take the following measures:

- (1) to claim damages from that director, supervisor, President or other officer in compensation for losses sustained by the Company as a result of such breach;
- (2) to rescind any contract or transaction entered into by the Company with that director,

- supervisor, President or other officer or by the Company with a third party, (where such third party knew or should have known that such director, supervisor, President or other officer representing the Company was in breach of his obligations towards the Company);
- (3) to require that director, supervisor, President or other officer to account for the benefits obtained as a result of his breach of obligations;
  - (4) to recover any moneys received by that director, supervisor, President or other officer which should have been received by the Company, including (without limitation) commissions;
  - (5) to demand payment from that director, supervisor, President or other officer of the interest earned or which may have been earned on moneys that should have been paid to the Company;
- and

Article 170 The Company shall, with the prior approval of the shareholders in general meeting, enter into a contract in writing with each director or supervisor of the Company in respect of his remuneration. The aforesaid remuneration shall include:

- (1) Remuneration in respect of his service as director, supervisor or officer of the Company;
- (2) Remuneration in respect of his service as director, supervisor or officer of any subsidiary of the Company;
- (3) Remuneration in respect of other service provided in connection with the management of the affairs of the Company and its subsidiaries;
- (4) Money payable as compensation for loss of office or as consideration for retirement from office of that director or supervisor.

Except pursuant to a contract entered into in accordance with the foregoing provisions, a director or supervisor shall not institute proceedings against the Company for any benefit due to his in respect of the matters specified above.

Article 171 The contract entered into between the Company and its director or supervisor shall stipulate that when the Company is being taken over, that director and supervisor is entitled, subject to the informed consent of the shareholders in general meeting being obtained, to receive compensation or other payment by reason of his loss of office or retirement.

The foregoing reference to a takeover of the Company is to any of the following circumstances:

- (1) A takeover of an offer made by any person to all shareholders of the Company; or
- (2) A takeover of an offer made by any person, the purpose of which is for the offeror to become the controlling shareholder within the meaning of Article 59 hereof.

If the relevant director or supervisor doesn't comply with the provisions stipulated in this Article, then



any moneys received by him shall belong to those persons who have sold their shares through an acceptance of that offer, and the expenses incurred in making pro rata distribution of such moneys shall be borne by that director or supervisor and shall not be deducted from those moneys.

## **Section 15 Approval of Material Contracts**

Article 172 Any material contract and agreement of the Company mentioned hereinafter shall be required for approval by more than two-thirds of the entire directors, and also consent adopted by the shareholders representing more than two-thirds of the Company's total share capital:

(I) Such contract and agreement proposed or implemented to acquire or realize any asset:

1. That, the value of asset intended to acquire or sell accounts for fifty percent or above of the net book value of tangible asset of the Company as carried in the latest audited accounts of the Company's disclosures; or
2. That, The net profit before tax not including the non-recurring item in respect of asset intended to acquire or sell disclosed in the latest audited accounts, takes up fifty percent or above of the Company's net profit as carried in the latest audited books of the Company's disclosures (However, if the Company recent audited accounts disclose net loss, it can be neglected); or
3. That, the total value of considerations payable or receivable is equivalent to fifty percent and above of the net book value of the Company's tangible assets in its latest disclosures of accounts; or
4. That, the value of the Company's share capital issued as consideration is equivalent to fifty percent and above of the value of its previous issue of share capital; or
5. That, the Company's controlling right shall be caused to change due to creation of holders of majority shares or group (s) of share holding.

For avoidance of doubts, it is hereby stated that the clauses above are not applicable to the transaction between the any company and its subsidiary.

(II) Any agreement or arrangement entered into or reached with any related person (as defined in Article 173) of any director, supervisor, officer of the Company, except:

1. Consumption goods or services acquired or sold to or from the related person on normal commercial conditions in the normal course of the Company's operation;
2. Any transaction conducted on normal commercial conditions whose total consideration or value, either equal or lower than RMB 10,000,000 or the amount three percent of the net book value of the Company's tangible assets presented in the Company's disclosure of the latest audited accounts prepared in accordance with PRC accounting standards, whichever is lower; and
3. Agreement signed with any shareholder on normal commercial conditions in respect to the Company's public issue of shares on any recognized securities exchange through

appointed global coordinator or other underwriter group or such agreement concluded for the purpose of consulting arrangement.

Article 173 For the purpose of the person as shareholder, director, supervisor and officer, the term “related person” as mentioned in Article 172 above shall mean:

- (1) The person's spouse or children or step children aged 18 (“family member”);
- (2) The person and any one of his family member acting in the capacity of trustee in any trust as beneficiary (or the beneficiary subject in case of discretionary trust);
- (3) The person and/or his family member in combined ownership of interests, directly or indirectly, in the share capital of any company, including its subsidiary or controlling company or subsidiary under such controlling company in which such interest is owned, is sufficient enough to enable them to exercise or control thirty percent or above voting right at the general meeting or control to appoint the majority of directors.

## **Section 16 Financial and Accounting Systems and Distribution of Profits**

Article 174 The Company shall formulate its financial accounting system in accordance with relevant requirement of law, administrative regulations and PRC accounting principles formulated by the financial regulatory authority of the State Council.

Article 175 The Company’s fiscal year is on the basis of calendar year, effective as of January 1st and end on December 31 every calendar year.

Article 176 The Company shall prepare a financial report in the period of 120 days by the end of every fiscal year.

The financial report shall be caused to audit in accordance with laws and regulations.

The Company’s financial report shall include the following contents;

- (1) Balance sheet;
- (2) Profit and loss statement;
- (3) Statement of profit distribution;
- (4) Cash flow statement; and
- (5) Notes to the financial statement.

Article 177 The Board shall place before the shareholder at every annual general meeting a financial report prepared by the Company as required by the relevant laws, administrative regulations or normative documents promulgated by the regional government and regulatory authorities.

Article 178 The financial report of the Company shall be made available at the legal address of the Company 20

days prior to the holding of the annual general meeting of the Company for inspection by shareholders. Every shareholder of the Company shall have the right to obtain the financial report referred to in this Section.

A printed copy of the aforesaid (1) financial report and the report of the Board, together with (2) a report of financial summary shall, not less than 21 days before the date of the annual general meeting, be sent by prepaid post by the Company to every shareholder. The address of the recipient shall be the registered address entered in the register of shareholders.

Article 179 The financial statements of the Company shall be prepared in accordance with PRC accounting standards and regulations and, in addition thereto, shall also be in accordance with either the International Accounting Standards or the accounting standards of the overseas territory where the Company is listed. Where there are material differences between the financial statements prepared in accordance with the two accounting standards as aforesaid, then such differences shall be specified in the notes to those financial statements. For the purpose of distributing the profits after tax of the Company in respect of the relevant financial year, the lower amount of the profits after tax stated in the two sets of financial statements as aforesaid shall be taken to be the amount of the profits after tax.

Article 180 Any interim results or financial information published or disclosed by the Company shall be prepared in accordance with PRC accounting standards and regulations and also in accordance with either the International Accounting Standards or the accounting standards of the overseas territory where the Company is listed.

Article 181 The Company shall publish its financial report twice in every financial year. The interim report shall be published within 60 day after the end of the first six months of the financial year, and the annual report shall be published within 120 days after the end of the financial year.

Article 182 The Company shall not keep separate books of accounts apart from its statutory books of account. The Company's assets shall not be kept under any individual's name or account.

Article 183 The Company's profit after tax shall be made available for use in the following order:

- (1) Recover losses of the previous year;
- (2) Apportion of ten percent of legal reserves;
- (3) Apportion of five percent to ten percent of the legal public welfare funds;
- (4) Allocation to the discretionary common reserves; and
- (5) Payment of dividends on ordinary shares.

The Company may cease accrual of its legal reserves once the same has come up to fifty percent and

above of the Company's registered capital. Apportion of the discretionary common reserves shall be decided by the general meeting, immediately upon apportion of the legal reserves and public welfare fund. Profit distributions to shareholders shall not be transacted for such distribution prior to the Company's recovery of losses and apportion of legal reserves or public welfare fund.

Article 184 Where conversion of reserve funds into capital is decided by the general meeting, shareholders shall be issued for new shares allocated at original ratio of holding shares respectively. When legal reserves are converted into share capital, the reserve funds retained shall not be less than twenty-five percent of the Company's registered capital.

Article 185 The Company's public welfare fund shall be allocated in accordance with PRC rules for accrual and applied to the welfare in the interest of the Company's employees.

Article 186 The capital common reserve shall comprise the following items:

- (1) The amount of share premium that arise from issue of shares at a premium;
- (2) Other income required by the financial regulatory authority of the State Council to be appropriated to the capital common reserve.

Article 187 The Company may distribute the dividends in the form of:

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

Article 188 Dividends and other amount paid to the holders of the Domestic Shares shall be declared for payments. The payments are valued in RMB and settled 3 months since after the declaration date of dividends for payment. Dividends and other amount paid to the holders of the overseas listed foreign shares shall be declared. These payments of dividends are valued in RMB and are paid so 3 months since after the declaration date of such dividends settled in foreign currency.

Dividends payable to the holders of the overseas listed foreign shares shall be transacted in accordance with the relevant PRC regulations on foreign exchange. Payments given from shareholder for any share fully settled before call of such payments shall have bearing interests; provided shareholder has no right to collect the dividend declared for distribution since after the previous receipt of the prepaid shares.

For the dividend without receipt caused due to confiscation upon exercise of right, such right shall only be exercised 6 years or thereafter upon the declaration date of dividend.

Article 189 The Company shall appoint a receiving agent for the holder of overseas listed foreign shares who

shall, on behalf of such holders, receive dividends declared and all other moneys payable by the Company in respect of their overseas listed foreign shares.

The receiving agent appointed by the Company for holders of the overseas listed foreign shares listed in Hong Kong shall be a trust corporation registered under the Trustee Ordinance in Hong Kong. The receiving agent appointed by the Company for the holders of the overseas listed foreign shares listed in SEHK shall comply with the rules of the stock exchange on which the shares of the Company are listed.

The Company has the right to cease release of the dividend warrant to such shareholder in default of cashing such dividend warrant sent from the Company by postage for two consecutive times. The Company may exercise such right upon return of the dividend warrant since after its first sending by postage to the shareholder without receipt.

## **Section 17 Notice**

Article 190 The Company's notice may be sent :

- (1) Personal delivery by hand;
- (2) By postage;
- (3) Via public announcement;
- (4) By fax; and
- (5) Other forms as ascribed in these Articles.

Article 191 The Company's notice published through public announcement shall be deemed to have been served to all the related personnel in respect of such notice upon announcement.

The Company's notice released via announcement shall be carried onto paper for such announcement.

Article 192 Recipient of the Company's notice delivered by hand shall set his hands (or affix seal) onto such notice upon its receipt. The receipt date of the recipient's of such notice shall be deemed as the service date. Notice sent by mail shall explicitly carry the address, postage prepaid and is enclosed in the envelope to mail by postage. Notice sent to the shareholder shall be deemed as service 5 days since after postage of such notice. Notice communicated via public announcement upon the first time of its posting for such announcement shall be considered as the service date. Notice sent via fax at its sending date shall be confirmed via return fax for receipt.

In proving that a shareholder, director or supervisor has sent a notice, document, information or written statement to the Company, evidence shall be produced to show that notice, document, information or written statement was within the specified time in the ordinary manner delivered to or

posted by prepaid post to the correct address.

Article 193 Where notice with respect to meetings sent to the person entitled to receipt of such notice is not sent so due to accidental omission or such person hasn't received such notice, the resolution made at the said meeting shall not thereby be invalidated so.

### **Section 18 Employment of an Accounting Firm**

Article 194 The Company shall employ an independent accounting firm that complies with relevant state regulations to audit the annual financial reports and other financial reports of the Company.

The first accounting firm of the Company may be employed by the inaugural meeting prior to the first annual shareholders' meeting. Such accounting firm shall hold office until the conclusion of the first annual general meeting.

If the inaugural meeting does not exercise its powers under the preceding paragraph, the Board shall exercise such powers.

Article 195 The term of appointment of an accounting firm appointed by the Company shall commence from the conclusion of the current annual general meeting and expire at the conclusion of the next annual general meeting. .

Article 196 An accounting firm employed by the Company shall have the following rights:

- (1) to inspect at all times to the account books, records or vouchers of the Company, and the right to require directors, the President and other officers of the Company to provide the relevant information and explanations;
- (2) to require the Company to take all reasonable measures to obtain from its subsidiaries the information and explanations necessary for the accounting firm to perform its duties; and
- (3) to attend shareholders' meeting, receive a notice or other information concerning any meetings of or concerning which shareholders have a right to receive a notice or other information, and to be heard at any shareholders' meetings on any matter which relates to it as the accounting firm of the Company.

Article 197 If the position of accounting firm becomes vacant, the board of directors may appoint an accounting firm to fill such vacancy before a shareholders' general meeting is held. However, if there are other accounting firms holding the position of accounting firm of the Company while such vacancy still exists, such accounting firms shall continue to act.

Article 198 The general meeting may, by means of an ordinary resolution, dismiss any accounting firm prior to

the expiration of its term of employment, notwithstanding anything in the contract between the accounting firm and the Company, but without prejudice to such accounting firm's right, if any, to claim damages from the Company in respect of such dismissal.

Article 199 The remuneration or method of remuneration of an accounting firm shall be decided upon by the general meeting. The Board shall determine its employment of the accounting firm for remuneration.

Article 200 The employment, dismissal or refusal of the renewal of the employment of an accounting firm shall be decided upon by the general meeting and reported to the competent securities department under the State Council for record.

Where a resolution is proposed to be passed at a general meeting to appoint an accounting firm not currently in office to fill a casual vacancy in the office of accountants, or to re-appoint a retiring accounting firm which was appointed by the Board to fill a casual vacancy, or to remove an accounting firm before the expiration of its term of office, the following provisions shall apply:

- (1) The proposed resolution for appointment or removal shall be sent, before the issue of the notice of general meeting, to the accounting firm proposed to be appointed or which proposes to leave office or which has left office in the relevant financial year.  
Leaving office shall include a removal, resignation and retirement.
- (2) If the accounting firm leaving office makes representation in writing and requests the Company to notify the shareholders of its representations, the Company shall implement the following measures (unless the representations are received too late):
  1. State in the notice given in connection with the resolution the fact that representation have been made by the accounting firm leaving office; and
  2. Send to every shareholder in the manner prescribed by these Articles a copy of the representations as an enclosure to the notice of general meetings.
- (3) If the representations of the relevant accounting firm are not dispatched by the Company in accordance with paragraph (2) above, that accounting firm may request such representations be read at the general meeting and may make further submissions.
- (4) An accounting firm leaving office shall be entitled to attend:
  1. The general meeting at which its term of office would otherwise expire;
  2. The general meeting at which its is proposed to fill the vacancy arising from its removal;
  3. Any general meeting convened as a result of its resignation.

An accounting firm leaving office shall be entitled to receive all notices of, and other information related to, the meetings referred to above, and to speak at any such meeting on any matter which concerns it as the former accounting firm of the Company.

Article 201 If the Company removes or does not re-appoint an accounting firm, it shall notify the accounting firm in advance. The accounting firm is entitled to make representations to the shareholders in general

meeting. An accounting firm tendering resignation shall inform the shareholders in general meeting as to whether there is any misconduct on the part of the Company

An accounting firm may resign from its office by a notice in writing deposited at the Company's legal address. Any such notice shall be effective on the date on which it is deposited at the legal address of the Company or on such later date as may be specified therein. Such notice shall contain either of the following statements:

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

The Company shall, within 14 days after receipt of the written notice referred to in the preceding paragraph, send a copy of the notice to its supervisory authority, If the notice contains a statement referred to in subparagraph (2) of Article 200, a copy of that statement shall be deposited at the Company for inspection by shareholders. The Company shall also send a copy of such statement to every holder of overseas listed foreign shares by prepaid post to their addresses recorded in the register of shareholders.

Where the notice of resignation of the accounting firm contains a statement of circumstances of which an account ought properly to be given, the accounting firm may require the Board to convene an extraordinary general meeting to receive an explanation of the circumstances connected with its resignation.

## **Section 19 Merger and Division of the Company**

Article 202 Merger or Division of the Company shall be transacted by law.

Article 203 The merger or division of the Company shall require the preparation of a proposal by the Board. After such proposal has been adopted in accordance with the procedures specified in these Articles, relevant examination and approval procedures shall be carried out according to law. Shareholders that oppose such proposal on the merger or Division of the Company shall have the right to require the Company or shareholders that are in favor of such proposal to purchase their shares at a fair price. The contents of resolutions approving merger or Division of the Company shall be compiled in a special document for inspection by shareholders.

The document referred to above shall be sent by post to holders of the overseas listed foreign shares listed in Hong Kong.

Article 204 Merger of the Company may take the form of merger by absorption and merger by new



establishment.

In the event of a merger of the Company, the parties to the merger shall enter into a merger agreement and prepare balance sheets and a property list. The Company shall notify its creditors within a period of 10 days from the date on which the merger resolution is passed and publish at least three announcements on the merger in papers within 30 days of the date.

Parties to the Company's merger shall enter into contract to identify the assets, creditor rights and debts of either party pursuant to the terms and conditions contained in such contract.

After the merger of the Company, the rights and liabilities of the merging parties shall be assumed by the company continuing to exist after the merger or the new company established therefore.

Article 205 In the event of a Division of the Company, its assets shall be segregated in an appropriate manner.

For Division of the Company, the parties to the subdivision shall enter into a division agreement and prepare balance sheets and a property list. The Company shall notify its creditors within a period of 10 days from the date on which the division resolution is passed and publish at least three announcements on the division in papers within 30 days of the date.

Parties to the Company's division shall enter into contract to identify the assets, creditor rights and debts of either party pursuant to the terms and conditions contained in such contract.

Debts owed by the Company prior to the division shall be assumed by the company in existence after such division in accordance with the agreement reached.

Article 206 The creditor has the right to ask the Company to settle debts or provide security accordingly 30 days since after receipt date of the notice, or 90 days upon the announcement date if such notice is not received. Where the Company cannot settle debts or provide security, neither merger nor division shall be caused to proceed.

Article 207 When the Company is caused to merge or separate, the Board shall take measures necessary to protect the legal interests in the shareholders to the extent of such merger or division.

Article 208 Where the merger or Division of the Company involves a change in registered particulars, such change shall be registered with the company registry according to law. Where the Company is dissolved, it shall cancel its registration according to law. Where a new company is established, its establishment shall be registered according to law.

## **Section 20 Dissolution and Liquidation**

Article 209 The Company shall be dissolved and liquidated according to laws under the following circumstances:

- (1) If the general meeting resolves to dissolve the Company;
- (2) If dissolution is necessary as a result of merger or dissolution of the Company;
- (3) If the Company is declared bankrupt according to law because it is unable to pay its debts upon maturity;
- (4) If the Company is lawfully ordered to close down as a result of violation of laws or administrative regulations.

Article 210 Where the Company is to be dissolved pursuant to item (1) of the preceding article, it shall establish a liquidation committee within 15 days. The members of such liquidation committee shall be determined by the general meeting by way of an ordinary resolution.

Where the Company is to be dissolved pursuant to item (2) of the preceding article, liquidation shall be carried out by the parties to the merger or division in accordance to the agreements reached at the time of merger or division.

Where the Company is to be dissolved pursuant to item (3) of the preceding article, the People's Court shall, in accordance with relevant laws, organize the shareholders, relevant authorities and professionals to create liquidation committee for liquidation.

If the Company is to be dissolved pursuant to item (4) of the preceding Article, the competent authority in charge of the dissolution shall organize shareholders, the related organizations and professionals to create liquidation committee for liquidation.

Article 211 If the Board decides that the Company shall be liquidated (except for liquidation as a result of the Company's declaration of bankruptcy), the notice of the general meeting convened for such purpose shall include a statement to the effect that the Board has made full inquiry into the position of the Company and that the Board holds the opinion that the Company can pay its debts in full within 12 months after the commencement of liquidation.

Upon the passing of a resolution by the shareholders in general meeting to commence liquidation, the powers of the Board of the company shall cease forthwith, so does the President upon creation of the liquidation committee.

The liquidation committee shall take instructions from the general meeting, and make a report to the general meeting not less than once a year on the committee's income and expenditure, the business of

the Company's and the progress of the liquidation. It shall make a final report to the general meeting when the liquidation is completed.

Article 212 The liquidation committee shall notify creditors within a period of 10 days from the date of its establishment and publish at least three announcements of the liquidation in a newspaper within 60 days.

Creditors shall, within 30 days since the date of receiving the notice, report their creditor's rights to the liquidation committee, or for creditors who do not receive the notice, within 90 days since the date of the first public notice. Where creditors do not report their creditors' rights to the liquidation committee according to schedule, the rights shall be deemed to have been waived by the creditors. When reporting creditors' right, the creditor shall provide an explanation of matters relevant to the creditors' rights and shall provide evidently materials. The liquidation committee shall register the creditors' rights.

Article 213 The liquidation committee shall exercise the following functions and powers during liquidation:

- (1) Thoroughly examine the property of the Company and prepare a balance sheet and property list respectively;
- (2) Notify creditors by a notice or public announcement;
- (3) Dispose of and liquidate relevant unfinished business of the Company;
- (4) Pay all outstanding taxes in full;
- (5) Clear up claims and debts;
- (6) Dispose of the property left after full payment of the Company's debts;
- (7) and Participate in civil litigation on behalf of the Company.

Article 214 After the liquidation committee has thoroughly examined the Company's property and prepared a balance and property list, it shall formulate a liquidation plan and submit such plan to the general meeting or People's Court in charge for confirmation.

The Company's property if made available for debts settlement shall be made in sequence shown as follows:

- (1) Payment for liquidation costs;
- (2) Payment for the Company's employee wages and labor insurance premium;
- (3) Settlement of taxes due and payable; and
- (4) Settlement of the Company's debts.

The Company's property left after full payment in accordance with the provisions of the preceding paragraph shall be distributed to the Company's shareholders according to the category and proportion

of their shareholding.

During the liquidation, the Company shall not carry on any business irrelevant to the liquidation.

Article 215 If the Company is liquidated due to dissolution and liquidation committee, having thoroughly examined the Company's property and prepared a balance sheet and property list, discovers that the Company's property is insufficient to pay its debts in full, it shall immediately appeal to the People's Court for a declaration of bankruptcy.

After the People's Court has ruled to declare the Company bankrupt, the Company's liquidation committee shall refer the liquidation matters to the People's Court.

Article 216 Following the completion of liquidation, the liquidation committee shall formulate a liquidation report, revenue and expenditure statement and financial account books in respect of the liquidation period and, after verification thereof by an accountant registered in China, submit the same to the shareholders' general meeting or the relevant authorities in charge for confirmation. Within 30 days from the date of confirmation of the above-mentioned documents by the shareholders' general meeting or the relevant authorities in charge, the liquidation committee shall deliver the same to the company registry, apply for cancellation of the Company's registration and publicly announce the Company's termination.

Article 217 The liquidation committee shall be dutiful in discharge of liquidation obligations by law, neither take bribery, acquire other illegal income by employment of powers nor embezzlement of the Company's property.

Where the Company or its creditors have losses caused as a result of willful or significant misconduct by the liquidation committee member, the defaulting member shall be charged liable for compensation.

## **Section 21 Procedures for Amending the Company's Articles of Association**

Article 218 The Company may amend its Articles of Association in accordance with laws, administrative regulations and the Company's Articles of Association.

Article 219 The Company's Articles of Association shall be amended if it is one of the following:

- (1) The provisions contained in the Company's Articles of Association are discrepant to the Company Law or the related laws and administrative regulations after revision;
- (2) The details recorded of the Company's affairs after change are not inconsistent to the Company's Articles of Association;

- (3) The decision made by the general meeting to amend the Company's Articles of Association.

Article 220 Where an amendment to the Company's Articles of Association involves the matters provided for in the Articles of Association of Companies Seeking a Listing Outside the PRC, it shall become effective after being examined and approved by the company examination and approval department authorized by the State Council and the competent securities department under the State Council. Where an amendment to the Company's Articles of Association involves the matters of company registration, the registration shall be amended according to law.

Article 221 The Board shall amend the Company's Articles of Association pursuant to the resolution adopted by the general meeting of shareholder and the opinions after review released from the competent securities department under the State Council.

Article 222 Matters in respect to the amendment to the Company's Articles of Association that are considered as the disclosures required by laws and regulations for such disclosures shall be post for public announcement.

## **Section 22 Settlement of Disputes**

Article 223 The Company shall abide the following principles for dispute resolution:

- (1) In any dispute or claim respecting the Company's matters on the basis of the rights or obligations provided for in the Articles of Association of the Company or the in the Company Law or other related laws or administrative regulations that arise between a holder of overseas listed foreign shares and the Company, between a holder of overseas listed foreign shares and a director, supervisor, President or other officers of the Company, the parties concerned shall submit such dispute or claim for arbitration. When referring such dispute or claim to arbitration, the entire claim or dispute shall be referred to arbitration; all persons who, being the Company or the shareholders, directors, supervisors, President and other officers that have a cause of action based on the same facts giving rising to that dispute or claim or whose participation is necessary for the settlement of such dispute or claim shall submit to arbitration.
- (2) Disputes related to whether or not a person is a shareholder and to the register of shareholders need not be settled by arbitration; A dispute or claim submitted for arbitration may be arbitrated, at the option of arbitration application, by either the China International Economic and Trade Arbitration Commission in accordance with its arbitration rules or the Hong Kong International Arbitration Center in accordance with its securities arbitration rules. After the arbitration application has submitted the dispute or claim for arbitration, the other party must carry out arbitration in the arbitration institution selected by the applicant. If the arbitration applicant opts for arbitration by the Hong Kong International Arbitration Center, either party may request arbitration to be conducted in Shenzhen in accordance with the Securities rules of the Hong Kong

International Arbitration Center.

- (3) Unless otherwise provided by laws or administrative regulations, the laws of the People's Republic of China shall apply to the settlement by means of arbitration of dispute or claims referred to in item (1); and
- (4) The award of arbitration institution shall be final and binding upon each party.

### **Section 23 Supplementary Rules**

Article 224 The Board may draft the articles in respect to these Articles of Association pursuant to the provisions specified therein. These articles shall be made consistent to the provisions contained in these Articles of Association without discrepancy.

These Articles are subject to the Company's Board for interpretation and construction.

Article 225 The term "Accounting firm" as used in these Articles shall have the same meaning as "Auditor".

Article 226 The number itself as cited shall be included to the terms as "more than", "including" and "less than" used herein ; while such number is not included to term as "not more than" and "excluding".

Article 227 The Articles of Association are written in Chinese. If these Articles written in any other language or other version are discrepant to the version of these Articles hereto, the Chinese version of the Articles of Association shall prevail.

Article 228 The Articles of Association shall become effective and valid since the implementation date of the same. In case of those that cause to conflict with the Articles of Association, the Articles of Association shall prevail.