

**Articles of Association**  
**of**  
**海信科龍電器股份有限公司**  
**HISENSE KELON ELECTRICAL HOLDINGS COMPANY LIMITED**

## Chapter 1      General Provisions

Article 1.1 These Articles of Association are formulated in accordance with “The Company Law of the People’s Republic of China” (hereinafter referred to as the “Company Law”), the “Special Regulations On the Overseas Offering and Listing of Shares by Joint Stock Companies” issued by the State Council of the People’s Republic of China (hereinafter referred to as the “Special Regulations”), the “Mandatory Provisions for the Articles of Association of Companies to be Listed Overseas” (the “Mandatory Provisions”) and the “Guidelines for Articles of Association of Listed Companies” (hereinafter referred to as the “Guidelines for Articles of Association”) and other relevant laws and regulations of the PRC, with an aim to protect the legitimate rights and interests of the Company and its shareholders and creditors and to regulate the organization and activities of the Company.

Article 1.2 The Company's registered Chinese name: 海信科龍電器股份有限公司

The Company's English name: HISENSE KELON  
ELECTRICAL HOLDINGS  
COMPANY LIMITED

The Company's office: No. 8, Ronggang Road,  
Ronggui, Shunde District,  
Foshan City, Guangdong  
Province, PRC

Postal Code: 528303

Telephone number: (0757) 28362570

Facsimile number: (0757) 28361055

**Article 1.3**      The Company's legal representative is the Chairman of the Board.

Article 1.4 Upon approval from Joint Examination Group for Pilot Joint Stock Enterprises in the Guangdong Province and Guangdong Economic Reform Committee, the Company was established by way of private placement with Rongqi Town Economic Development Corporation (hereinafter referred to as the “Promoter”) as the sole promoter on 16 December 1992. On 3 May 1996, the Company lawfully merged with Guangdong Rongsheng Refrigerator

Company Limited by acquisition under the approval from Guangdong Economic System Reform Committee, Guangdong Securities Regulatory Commission and Guangdong Foreign Economic and Trade Cooperation Commission. On 26 June 1996, the State Council Securities Policy Committee approved the Company's application for issuing H shares and the State Economic System Reform Committee also approved the conversion of the Company into an overseas subscription company on the same day. On 28 May 1999, China Securities Regulatory Commission approved the Company's application for issuing A shares.

- Article 1.5      The Company is a joint stock limited company which is an independent legal person under the jurisdiction and protection of the laws, regulations and other relevant rules of the PRC. The Company, after the approval by the Ministry of Foreign Trade and Economic Co-operation of the PRC, became a company limited by shares with foreign investment. After the registration of the change by the Company in accordance with law, its business licence number is: 440000400014751.
- Article 1.6      Unless otherwise provided by these Articles of Association, the Company's shareholders, including the shareholders of domestic shares and foreign shares referred to in Article 3.4, shall enjoy the same rights and assume the same obligations.
- Article 1.7      All assets of the Company are divided into shares of equal value. The shareholders shall be liable to the Company to the extent of the shares they hold. The Company shall be liable for its debts to the extent of all of its assets.
- Article 1.8      The Company is a joint stock limited company that has perpetual existence.
- Article 1.9      The Company shall not become a shareholder with unlimited liability of other profit organizations.
- Article 1.10     Unless otherwise required by the Company Law or other relevant laws and regulations, articles which are required by the Mandatory Provisions to be incorporated into these Articles of Association shall not be modified or repealed.
- Article 1.11     These Articles of Association were passed by special resolution in the Company's general meeting and became effective upon approval by the relevant authority of the State.

These Articles of Association shall replace the original articles of association registered with the Administration for Industry and Commerce. From the effective date of these Articles of Association, these Articles of Association constitute a legally

binding document regulating the Company's organization and activities, and the rights and obligations between the Company and each and every shareholder, and among the shareholders inter se.

These Articles of Association are binding on the Company and its shareholders, directors, supervisors, managers and other senior officers, all of whom are entitled to claim for rights concerning the affairs of the Company in accordance with these Articles of Association. A shareholder may take action against the Company pursuant to these Articles of Association, and vice versa. A shareholder may also take action against another shareholder, the directors, supervisors, managers and other senior officers of the Company pursuant to these Articles of Association.

The actions referred to in this Article include initiation of litigation proceedings at courts and seeking arbitration at arbitral bodies.

Article 1.12 The Company may invest in other limited liability companies or joint stock limited companies. The Company's liabilities to an investee company shall be limited to the amount of its capital contribution to the investee company.

Upon the approval of the examination and approval authorities for companies authorized by the State Council, the Company may, according to its operating and management needs, operate according to the requirements in relation to holding companies under the Company Law.

Article 1.13 Subject to compliance with the laws and administrative regulations of the PRC, the Company has the power to raise and borrow money includes without limitation the issue of the Company's debentures, the charging or mortgaging of the Company's assets.

Article 1.14 Other senior officers of the Company as mentioned in these Articles of Association refer to the Board Secretary, the person in charge of finance and deputy general manager(s).

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

Article 2.1 The Company's business objectives are:

To utilize both domestic and foreign social capital to develop the manufacturing of household electrical appliances including refrigerators and air-conditioners; to streamline the relationship of corporate property ownership so as to constitute a diversified and detailed property structure; to increase the corporate vitality and competitiveness; to develop both domestic and international markets and to increase economic efficiency so as to maximize the return on investments for all shareholders.

Article 2.2      The business scope of the Company:

Development and manufacturing of household electrical appliances such as refrigerators, domestic and overseas sales of products and provision of after-sale services, transportation of own products.

The business scope of the Company is subject to the same being approved by the industry and commerce administration authorities. The Company may, upon approval by the examination and approval authorities, timely adjust its business scope and mode of operation and establish branches in the PRC and overseas, based on changes in market conditions and its own business needs.

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

Article 3.1      There must, at all times, be ordinary shares in the Company. The ordinary shares issued by the Company shall include domestic shares and foreign shares. Subject to the approval of the examination and approval authorities for companies authorized by the State Council, the Company may, according to its requirements, create different classes of shares.

Article 3.2      Shares of the Company are in the form of share certificates. The shares issued by the Company shall each have a par value of RMB 1.00.

The issue of shares by the Company shall adhere to the principles of openness, fairness and equitableness. Every share of the same class shall rank *pari passu* to every other share of the same class, shall have the same rights and shall be entitled to the same amount of dividends.

Article 3.3      Subject to the approval by the State Council's securities authorities, the Company may issue shares to domestic investors and foreign investors.

"Domestic investors" mean investors of the PRC (excluding the regions of Hong Kong, Macau and Taiwan regions) who subscribe for the Company's shares. "Foreign investors" mean investors of foreign countries and of Hong Kong, Macau and Taiwan regions who subscribe for the Company's shares.

Article 3.4      Shares which the Company issues to domestic investors for subscription in RMB shall be referred to as "domestic shares". Domestic shares can be listed on the stock exchange within the PRC upon the approval from the Board and the relevant government authorities. Shares which the Company issues to foreign investors for subscription in foreign currencies shall be referred to as "foreign

shares”. Foreign shares which are listed overseas are called “overseas-listed foreign shares” (including but not limited to H shares). H shares refer to overseas-listed foreign shares which are listed on the Hong Kong Stock Exchange and which are subscribed for and transacted in Hong Kong Dollars.

The domestic shares of the Company shall be held in central custody at the Shenzhen branch of China Securities Depository and Clearing Corporation Limited.

Article 3.5      The Company has issued a total number of 1,362,725,370 ordinary shares, of which overseas-listed foreign shares amount to 459,589,808 shares, representing 33.73% of the total share capital, and domestic listed shares amount to 903,135,562 shares, representing 66.27% of the total share capital. The registered share capital of the Company is RMB1,362,725,370.

Article 3.6      The Company’s board of directors may make implementing arrangements for the respective issuance of overseas-listed foreign shares and domestic shares after proposals for issuance of the same have been approved by the State Council’s securities authorities.

The Company may implement its proposals to issue overseas-listed foreign shares and domestic shares respectively pursuant to the preceding paragraph within fifteen (15) months from the date of approval by the State Council’s securities authorities.

Article 3.7      Where the total number of shares stated in the proposal for the issuance of shares includes overseas-listed foreign shares and domestic shares, such shares should be fully subscribed for in a single time at their respective offerings. If the shares cannot be fully subscribed for at their offerings due to special circumstances, the shares may, subject to the approval of the State Council Securities Policy Committee, be issued in separate tranches.

Article 3.8      The Company may, based on its operating and development needs and in accordance with the requirements of laws and regulations, authorize the increase of its capital in the following ways subject to the passing of respective resolutions in shareholders’ general meetings:

- (1) by public offering of shares
- (2) by non-public offering of shares
- (3) by allotting bonus shares to its existing shareholders;
- (4) by converting common reserve fund into share capital;

- (5) by any other means which is permitted by law, administrative regulations and other means approved by China Securities Regulatory Commission.

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

Article 3.9 Unless otherwise stipulated in laws and administrative regulations, shares of the Company shall be freely transferable and shall not be subject to any lien.

Article 3.10 The Company shall not accept the Company's shares as the subject matter of a pledge.

Article 3.11 The Company's shares held by the Promoter shall not be transferred within one (1) year from the date of establishment of the Company. The shares issued before the Company's public issuance of shares shall not be transferred within one (1) year from the date of the listing of the Company's shares on the stock exchange.

The Directors, supervisors, managers and other senior officers of the Company shall, during their term of office, regularly declare to the Company their holdings in the Company's shares and any subsequent change thereto. During their term of office, they should not transfer more than 25% of their holdings in the Company's shares every year. No transfer of their holdings in the Company's shares shall be made within six (6) months after they cease to hold their respective offices.

Article 3.12 If shareholders holding 5% or more of the domestic shares (with voting right) of the Company sell their shares within six (6) months from the date where such shares are acquired, or purchase shares within six (6) months from the date where such shares are disposed of, any profit deriving therefrom shall belong to the Company.

The preceding paragraph is applicable to the Directors, supervisors, managers and other senior officers of the Company who hold 5% or more of the domestic shares (with voting right) of the Company.

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

Article 4.1 The Company may reduce its registered capital in accordance with these Articles of Association.

Article 4.2 The Company must prepare a balance sheet and an inventory of assets when it reduces its registered capital.

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

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

Article 4.3      When the Company reduces its registered capital, it shall register the change with companies registration authority in accordance with law.

Article 4.4      The Company may, in accordance with law, administrative regulations and these Articles of Association, repurchase its issued shares under the following circumstances:

- (1)    cancellation of shares for the purposes of reducing its capital;
- (2)    merger with another company that holds shares in the Company;
- (3)    granting of shares as bonus to the Company's staff;
- (4)    shareholders who disagree with the resolutions for the merger or division of the Company passed at a general meeting request the Company to purchase their shares;
- (5)    other circumstances permitted by laws and administrative regulations.

Article 4.5      The Company may repurchase shares in one of the following ways:

- (1)    by making a general offer;
- (2)    by means of centralized auction trading on a stock exchange;
- (3)    by means of an agreement;
- (4)    by other means as authorized by regulatory authorities.

Article 4.6      The Company must obtain the prior approval of the shareholders in a general meeting pursuant to these Articles of Association before it

can repurchase shares outside of the stock exchange by means of an agreement. The Company may, by obtaining the prior approval of the shareholders in a general meeting in the same manner aforesaid, release or vary a contract which has been so entered into, or waive any of its rights thereunder.

A contract for the repurchase of shares referred to in the preceding paragraph includes (without limitation) an agreement to become obliged to repurchase shares and an agreement for the acquisition of right to repurchase shares. The Company shall not assign an agreement for the repurchase of shares and the rights contained therein.

Article 4.7      Shares repurchased in accordance with law by the Company shall be cancelled within the period prescribed by laws and administrative regulations, and the Company shall apply to the original companies registration authority for registration of the change of its registered capital.

The amount of the Company's registered capital shall be reduced by the aggregate par value of those cancelled shares.

Article 4.8      Unless the Company is in the course of liquidation, it must comply with the following provisions in relation to repurchase of its issued shares:

- (1) where the Company repurchases shares at par value, payment shall be made out of book surplus distributable profits of the Company or out of proceeds of a new issue of shares made for that purpose;
- (2) where the Company repurchases shares of the Company at a premium to its par value, payment up to the par value may be made out of the book surplus distributable profits of the Company or out of the proceeds of a new issue of shares made for that purpose. Payment of the portion in excess of the par value shall be effected as follows:
  - (a) if the shares being repurchased were issued at par value, payment shall be made out of the book surplus distributable profits of the Company;
  - (b) if the shares being repurchased were issued at a premium to its par value, payment shall be made out of the book surplus distributable profits of the Company or out of the proceeds of a new issue of shares made for that purpose, provided that the amount paid out of the proceeds of the new issue shall not exceed the aggregate amount of premium received by the Company on the issue of the shares



repurchased nor shall it exceed the amount of the Company's share premium account (or capital common reserve fund account) (including the premium on the new issue) at the time of the repurchase;

- (3) the Company shall make the following payments out of the Company's distributable profits:
  - (a) payment for the acquisition of the right to repurchase its own shares;
  - (b) payment for variation of any contract for the repurchase of its shares;
  - (c) payment for the release of its obligation(s) under any contract for the repurchase of shares;
- (4) after the reduction of the Company's registered capital by the aggregate par value of the cancelled shares in accordance with the relevant provisions, the amount deducted from the distributable profits of the Company for payment of the par value of shares which have been repurchased shall be transferred to the Company's share premium account (or capital common reserve fund account).

## **Chapter 5      Financial Assistance for Acquisition of Shares**

Article 5.1      Unless as specified in Article 5.3 hereof, neither the Company nor its subsidiaries shall, at any time, provide any form of financial assistance to a person who is acquiring or is proposing to acquire shares of the Company. This includes any person who directly or indirectly incurs any obligation as a result of the acquisition of shares of the Company.

Neither the Company nor its subsidiaries shall, at any time, provide any form of financial assistance to the aforementioned person for the purposes of reducing or discharging the obligations assumed by such person.

Article 5.2      For the purposes of this Chapter, "financial assistance" includes (without limitation) the following:

- (1) gift;
- (2) guarantee (including the assumption of liability by the guarantor or the provision of assets by the guarantor to secure the performance of obligations by the obligor),

compensation (other than compensation in respect of the Company's own default) or release or waiver of any rights;

- (3) provision of loan or any other agreement under which the obligations of the Company are to be fulfilled before the obligations of another party, or the change in parties to, or the assignment of rights under, such loan or agreement;
- (4) any other form of financial assistance given by the Company when the Company is insolvent or has no net assets or when its net assets would thereby be reduced to a material extent.

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

Article 5.3      The following transactions shall not be prohibited by this Chapter:

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

share ownership schemes (provided that the net assets of the Company are not thereby reduced or that, to the extent that the assets are thereby reduced, such financial assistance is provided out of distributable profits).

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

- Article 6.1      Share certificates are evidence as to the shares held by the shareholders which are signed and issued by the Company. The Company shall issue share certificates in book entry form or physical form or in other forms as prescribed by the State Council's securities authorities in accordance with the requirements of the relevant governments and authorities of the territories on whose stock exchanges the Company's shares are issued and listed.
- Article 6.2      Share certificates of the Company shall either be in registered form or in bearer form. Apart from what is required by the Company Law to be stated on the share certificate of the Company, it shall also state other items which are required to be stated by the stock exchanges on which the Company's shares are listed.
- Article 6.3      Share certificates of the Company shall be signed by the Chairman. Where the stock exchange(s) on which the Company's shares are listed require other senior officer(s) of the Company to sign on the share certificates, the share certificates shall also be signed by such senior officer(s). The share certificates shall take effect after being affixed or imprinted with the seal of the Company. The share certificates shall only be affixed with the Company's seal under the authorization of the Board. The signatures of the Chairman of the Board or other senior officer(s) of the Company on the share certificates may be printed in mechanical form.
- Article 6.4      The Company shall keep a securities seal in Hong Kong for the authentication of share certificates of H shares. The issuance of the share certificates of H shares by the Company has to be authorized by the Board, and the share certificates shall be signed by the Chairman personally or with the Chairman's signature printed thereon. The share certificates shall take effect after being affixed with the securities seal of the Company. The Company must keep proper custody of its special securities seal and shall not use the same without prior authorization from the Board.
- Article 6.5      The Company shall keep a register of shareholders which shall contain the following particulars:
- (1) the name (title) and address (residence), the occupation or nature of each shareholder;
  - (2) the class and quantity of shares held by each shareholder;

- (3) the amount paid-up or payable for the shares held by each shareholder;
- (4) the serial number(s) of the shares held by each shareholder;
- (5) the date on which each shareholder was entered in the register as a shareholder;
- (6) the date on which any shareholder ceased to be a shareholder.

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

Article 6.6      The Company should enter into an agreement for share custody with securities registration institutions and periodically inquire into the information of substantial shareholders and changes in the shareholdings of such shareholders (including charge of the shares) so as to timely grasp the Company's shareholding structure. Shareholders shall enjoy the rights and assume the obligations in accordance with the class of shares they hold. Shareholders holding the same class of shares are entitled to the same rights and assume the same obligations.

Article 6.7      The Company may, in accordance with the mutual understanding and agreements made between the State Council's securities authorities and overseas securities regulatory authorities, maintain the register of shareholders of overseas-listed foreign shares overseas and appoint overseas agent(s) to manage such register of shareholders. The original register of shareholders for holders of H shares shall be maintained in Hong Kong.

A duplicate register of shareholders for the holders of overseas-listed foreign shares shall be maintained at the Company's office. The appointed overseas agent(s) shall ensure consistency between the original and the duplicate register of shareholders at all times. If there is any inconsistency between the original and the duplicate register of shareholders for the holders of overseas-listed foreign shares, the original register of shareholders shall prevail.

Article 6.8      The Company shall have a complete register of shareholders which shall include the following parts:

- (1) the register of shareholders which is maintained at the Company's office (other than those share registers which are described in sub-paragraphs (2) and (3) of this Article);
- (2) the register of shareholders in respect of the holders of

overseas-listed foreign shares of the Company which is maintained in the same place as the overseas stock exchange on which the shares are listed; and

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

Article 6.9      Different parts of the register of shareholders shall not overlap. No transfer of any shares registered in any part of the register shall, during the continuance of that registration, be registered in any other part of the register.

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

Article 6.10      All H shares listed in Hong Kong which have been fully paid-up may be freely transferred in accordance with these Articles of Association. However, unless such transfer complies with the following requirements, the Board may refuse to recognize any instrument of transfer without providing any reason therefor:

- (1) a fee of HK\$2.50 or such higher amount as may be agreed by the Hong Kong Stock Exchange has been paid to the Company for registration of the instrument of transfer and other documents relating to or which will affect the right of ownership of the shares;
- (2) the instrument of transfer only relates to H shares listed in Hong Kong;
- (3) the stamp duty which is chargeable on the instrument of transfer has already been paid;
- (4) the relevant share certificate(s) and any other evidence which the Board may reasonably require to show that the transferor has the right to transfer the shares have been provided;
- (5) if it is intended that the shares be transferred to joint owners, the maximum number of joint owners shall not be more than four (4);
- (6) the Company does not have any lien on the relevant shares.

Article 6.11      No change shall be made in the register of shareholders as a result of a transfer of shares within thirty (30) days prior to the date of a shareholders' general meeting or within five (5) days before the

record date for the Company's distribution of dividends.

Article 6.12 The Board shall decide a record date for the purpose of determining the rights attaching to shares of the Company when the Company holds a shareholders' general meeting, distributes dividend, liquidates or engages in activities that require the determination of rights attaching to the shares of the Company. The shareholders of the Company shall be such persons who appear in the register as shareholders at the close of the record date.

Article 6.13 Any person aggrieved and claiming to be entitled to have his name (title) entered into or removed from the register of shareholders may apply to a court of competent jurisdiction for rectification of the same.

Article 6.14 Any person who is a registered shareholder or who requests his name (title) be entered in the register of shareholders in respect of shares in the Company may, if his share certificate (the "original share certificate") relating to the shares is lost, apply to the Company for a replacement share certificate in respect of such shares (the "relevant shares").

A holder of domestic shares who has lost his share certificate (in registered form) may request the People's Court to declare the share certificate invalid according to the public notice procedures prescribed in the Civil Procedural Law of the PRC. After the People's Court has declared the share certificate invalid pursuant to the public notice procedures, the shareholder may apply to the Company for issuance of a replacement share certificate.

Application by a holder of overseas-listed foreign shares, who has lost his share certificate, for a replacement share certificate may be dealt with in accordance with the law, the rules of the stock exchange or other relevant regulations of the place where the original register of shareholders of overseas-listed foreign shares is maintained.

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

- (1) the applicant shall submit an application to the Company in a prescribed form accompanied by a notarial certificate or a statutory declaration. The contents of the notarial certificate or statutory declaration should include the grounds upon which the application is made and the circumstances and evidence of the loss of share certificate, as well as a declaration that no other person is entitled to have his name entered in the register of shareholders in respect of the relevant shares.

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

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

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

Article 6.15      Where the Company issues a replacement share certificate pursuant to these Articles of Association, the name (title) of a bona fide

purchaser gaining possession of such replacement certificate or the person who is subsequently entered in the register of shareholders as holder of such shares (if he is a bona fide purchaser) shall not be removed from the register of shareholders.

Article 6.16      The Company shall not be liable for any damages sustained by any person by reason of the cancellation of the original share certificate or the issuance of the replacement share certificate unless the claimant is able to prove that the Company has acted in a deceitful manner.

Article 6.17      The Company's shares can be transferred, granted by way of gift, succeeded and charged in accordance with relevant laws, administrative regulations and these Articles of Association.

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

Article 7.1      A shareholder of the Company is a person who lawfully holds shares of the Company and whose name (title) is entered in the register of shareholders.

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

Article 7.2      The ordinary shareholders of the Company shall enjoy the following rights:

- (1) the right to receive dividends and other distributions in proportion to the number of shares held;
- (2) the right to attend or appoint a proxy to attend shareholders' meetings and to exercise voting rights;
- (3) the right of supervisory management over the Company's business operations and the right to present proposals or to raise queries;
- (4) the right to transfer shares in accordance with laws, administrative regulations and these Articles of Association;
- (5) the right to obtain relevant information in accordance with these Articles of Association, including:
  - (a) the right to obtain a copy of these Articles of Association, subject to payment of costs;



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

- (I) all parts of the register of shareholders;
- (II) personal particulars of each of the Company's directors, supervisors, managers and other senior officers, including:
  - present and former name and alias;
  - principal address (place of residence);
  - nationality;
  - primary and all other part-time occupations and duties;
  - identification documents and the numbers thereof.
- (III) the status of the Company's share capital;
- (IV) reports showing the aggregate par value, quantity, highest and lowest price paid in respect of each class of shares repurchased by the Company since the end of the last accounting year and the aggregate amount paid by the Company for this purpose;
- (V) minutes of shareholders' general meetings.

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

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

Article 7.3 Shareholders who propose to inspect the relevant information as set out in the preceding Article or collect information shall produce the relevant documentary proofs of the type and quantity of shares that they are holding to the Company. The Company shall provide the shareholders such information as required after verification of the identities of the shareholders.

Article 7.4 In the event that the resolution of a shareholders' general meeting or a board meeting is against the law or administrative regulations and has infringed the legitimate interest of a shareholder, the shareholder shall have the right to commence legal proceedings in a court with jurisdiction to halt such unlawful acts or infringement.

Directors, supervisors or managers shall be liable to compensate if they violate the law, administrative regulations or provisions of

these Articles of Association in performing their duties and cause loss to the Company. Shareholders shall have the right to request the Company to commence legal proceedings for compensation.

Article 7.5 The ordinary shareholders of the Company shall assume the following obligations:

- (1) to comply with these Articles of Association;
- (2) to pay subscription monies according to the number of shares subscribed and the method of subscription;
- (3) shareholder holding 5% or more of the shares with voting right shall submit a written report to the Company when creating a pledge over his shares on the date the same occurs;
- (4) other obligations imposed by laws, administrative regulations and these Articles of Association.

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

In the case where any person is directly or indirectly interested in the Company's shares, the Company shall not exercise any power to freeze or otherwise impair the rights attached to the shares he has by reason that such person has failed to disclose his interest to the Company.

Article 7.6 In addition to the obligations imposed by laws and administrative regulations or required by the listing rules of the stock exchange on which the Company's shares are listed, a controlling shareholder, while exercising his powers as a shareholder, shall not exercise his voting rights in respect of the following matters in a manner which is prejudicial to the interests of all or part of the shareholders of the Company:

- (1) to relieve a director or supervisor of his duty to act honestly in the best interests of the Company;
- (2) to approve the expropriation by a director or supervisor (for his own benefit or for the benefit of another person) of the Company's assets in any way, including (without limitation) opportunities which are beneficial to the Company;
- (3) to approve the expropriation by a director or supervisor (for his own benefit or for the benefit of another person) of the individual rights of other shareholders, including (without

limitation) rights to distributions and voting rights (save pursuant to a restructuring of the Company which has been submitted for approval by the shareholders in a general meeting in accordance with these Articles of Association);

- (4) the controlling shareholder and person in actual control of the Company have fiduciary duties towards the Company and the public shareholders. The controlling shareholder shall exercise its rights as investor strictly in accordance with the laws. The controlling shareholder shall not damage the lawful rights of the Company and the public shareholders by means of connected transactions, profit distribution, assets restructuring, external investment, appropriation of capital and loan guarantee, etc. and shall not take advantage of its controlling position to damage the interest of the Company and the public shareholders.

Article 7.7 Further to Article 7.6 herein, a controlling shareholders shall also observe the following regulations with respect to its activities:

- (1) the controlling shareholder shall safeguard the independence of the staff, assets and finance of the Company and shall not intervene with any of its financial or accounting activities. No controlling shareholder or any of its sub-units shall engage in business which is the same as or similar to the business carried on by the listed company. The controlling shareholder shall adopt effective measures to avoid horizontal competition;
- (2) the controlling shareholder shall support the Company in deepening its reform in the employment, human resources and allocation systems, transforming its regulatory regime for business operation, and implementing policies in which the management officers are hired through competitive examination and are capable in performing duties at different levels, the employees are chosen for their excellence and may be hired or laid-off depending on their performance and the income allocation is flexible and effective in motivation;
- (3) the controlling shareholder owes fiduciary duty towards the Company and other shareholders. It shall exercise its right as investor in strict compliance with the law and shall not damage the lawful rights of the Company and other shareholders by means of assets restructuring, etc. and shall not take advantage of its special status to acquire any additional benefits;

- (4) the controlling shareholder shall not impose any approval requirement in respect of any resolution for election in the shareholders' general meeting and resolution for appointment in the Board and shall not bypass the shareholders' general meeting and the Board to appoint or remove any senior officer of the Company;
- (5) all material decisions of the listed company shall be determined by the shareholders' general meeting and the Board in accordance with the law. The controlling shareholder shall not directly or indirectly intervene in the decision-making of and any business activity lawfully commenced by the Company and damage the interest of the Company and other shareholders.

Article 7.8      The Directors, supervisors and senior officers of the Company shall have the obligation to protect the capital of the Company from being embezzled by the controlling shareholder or person in actual control.

In case of Directors or senior officers of the Company assisting or conniving the controlling shareholder or its subsidiary in misappropriating the assets of the Company, the Board shall inflict punishment on the directly responsible persons and remove the Directors with significant responsibilities depending on the seriousness of the circumstances.

In the case of the controlling shareholder or person in actual control misappropriating the assets of the Company, including but not limited to, the capital of a listing company, the Board shall immediately apply to the People's Court in the name of the Company to legally freeze the assets of the Company embezzled and the shares of the Company held by the controlling shareholder or person in actual control. For any misappropriated assets of the Company that cannot be restored to the original form or repaid in cash by the controlling shareholder or the person in actual control, the Board shall reconstitute the misappropriated assets of the Company by realizing the shares of the Company held by the controlling shareholder or person in actual control in accordance with the provisions and procedures of the relevant laws, regulations and rules.

Article 7.9      The controlling shareholder referred to in Article 7.6, Article 7.7 and Article 7.8 of these Articles of Association means a person who meets one of the following conditions:

- (1) a shareholder who holds shares representing 50% or more of the entire share capital of the Company;
- (2) despite holding less than 50% of the entire share

capital of the Company, the voting right it is entitled to in respect of the shares it holds is sufficient to pose a significant influence on the resolutions of the shareholders' meetings and shareholders' general meetings.

Article 7.10 Connected transactions between connected persons as defined under the listing rules of the stock exchange on which the shares of the Company are listed and the Company shall observe the following principles:

- (1) a written agreement shall be executed for any connected transaction between any connected person and the Company. Such agreement shall be executed on a fair, voluntary and equal-value basis and with consideration, and its content shall be clear and specific. The Company shall disclose the execution, amendment, termination and performance of such agreement timely and sufficiently pursuant to relevant regulations;
- (2) the Company shall take effective measures to prevent any connected person from damaging the interest of the Company by intervening in its operation through monopolization of the sale and purchase channels. Commercial principles shall be observed for all connected transactions, which in principle shall not deviate from the standard of price or charge of independent third parties in the market. The Company shall fully disclose the basis of pricing for any connected transaction;
- (3) the Company shall take effective measures to prevent any connected person from, in any manner whatsoever, appropriating or transferring any capital, assets and other resources of the Company and shall not provide any guarantee for any connected person.

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

Article 8.1 The shareholders' general meeting is the organ of authority of the Company and shall exercise its functions and powers in accordance with law.

Article 8.2 The shareholders' general meeting shall have the following functions and powers:

- (1) to decide on the Company's operational policies and investment plans;

- (2) to elect and replace directors and supervisors who are shareholders' representatives and to decide on matters relating to the remuneration of directors and supervisors;
- (3) to elect and replace supervisors who are shareholders' representatives and to decide on matters relating to the remuneration of supervisors;
- (4) to examine and approve reports of the Board;
- (5) to examine and approve reports of the supervisory committee;
- (6) to examine and approve the Company's annual financial budgets and final accounts;
- (7) to examine and approve the Company's profit distribution plans and loss recovery plans;
- (8) to decide on the increase or reduction of the Company's registered capital;
- (9) to decide on matters such as merger, division, dissolution and liquidation of the Company;
- (10) to decide on the issue of debentures by the Company;
- (11) to decide on the appointment, dismissal and non-reappointment of the accountants of the Company;
- (12) to amend these Articles of Association;
- (13) to consider motions proposed by shareholder(s) who represent(s) 3% or more of the shares of the Company carrying voting right;
- (14) to examine and approve external investment, entering into of material commercial contract, entrusted investment and asset acquisition and disposal which meet one of the following standards:
  - (a) the assets which are the subject of the transaction account for 50% or more of the total assets in the latest audited consolidated statements of the Company. If there are both book value and assessed value for the assets which are the subject of the transaction, the higher figure shall be used as the basis of calculation;
  - (b) the operating income of the subject of the transaction

(for example, equity interests) in the latest accounting year accounts for 50% or more of the operating income in the audited consolidated statements of the Company in the latest accounting year, and the absolute amount exceeds 50 million yuan;

- (c) the net profit of the subject of the transaction (for example, equity interests) in the latest accounting year accounts for 50% or more of the net profit in the audited consolidated statements of the Company in the latest accounting year, and the absolute amount exceeds 5 million yuan;
  - (d) the consideration of the transaction (including the assumption of liability to debts and expenses) accounts for 50% or more of the net assets in the latest audited consolidated statements of the listed company, and the absolute amount exceeds 50 million yuan;
  - (e) the profit generated by the transaction accounts for 50% or more of the net profit in the latest audited consolidated statements of the listed company, and the absolute amount exceeds 5 million yuan;
  - (f) if the data involved in the above indicative calculations is a negative figure, its absolute value shall be used for the purpose of calculation;
  - (g) other external investment and asset disposal activities assets which are required by the laws and regulations to be resolved by shareholders' general meeting, or are considered by the shareholders' general meeting to be resolved by the same.
- (15) to examine and approve the following investments in derivatives:.
- (a) investments in derivatives used for hedging purposes in amount representing 50% or more of the net assets as shown in the latest audited consolidated statements of the Company, and in absolute amount of more than RMB50 million;
  - (b) investments in derivatives used for purposes other than hedging;
- (16) to examine and approve connected transaction which meets one of the following standards:
- (a) connected transaction between the Company and

connected person (excluding the receipt of cash assets and provision of guarantee by the Company) in amount of 30 million yuan or more and representing 5% or more of the absolute amount of the latest audited net assets of the Company;

(b) provision of guarantee by the Company for connected person.

(17) to authorize the Board to amend relevant rules of procedures and working system pursuant to the relevant laws and regulations and requirements of regulatory authorities. The amendments shall follow the principles below:

(a) They shall be in compliance with laws and regulations and the stipulations contained in the Articles of Association;

(b) They shall not weaken or cancel the exercise of relevant rights by the shareholders' general meeting; and

(c) They shall not infringe the lawful rights of the Company and all of its shareholders, especially the small to medium shareholders;

(18) other matters to be decided in shareholders' general meeting as provided by the laws, administrative regulations and these Articles of Association.

Investments in derivatives that do not meet the criteria as provided in item (15) of this Article shall be determined by the Board. Article 10.16 of these Articles of Association shall still be applicable to the disposal of fixed assets.

Article 8.3      Provision of external guarantee by the Company as set forth below must be approved by the shareholders in a general meeting.

(1) the provision of any guarantee after the amount of the external guarantee provided by the Company and its subsidiaries reaches or exceeds 50% of the latest audited net assets;

(2) the provision of any guarantee after the amount of the external guarantee provided by the Company reaches or exceeds 30% of the latest audited total assets;

(3) the provision of any guarantee in which the party to be



guaranteed has a debt-equity ratio exceeding 70%;

(4) the provision of any single guarantee in which the amount exceeds 10% of the latest audited net assets;

(5) the provision of any guarantee for the shareholders, the persons in actual control and their connected persons.

Article 8.4 Save with the prior approval from the shareholders' general meeting, the Company shall not enter into contract with persons (other than the Directors, supervisors, managers and other senior officers) pursuant to which the management of all or any substantial part of the business of the Company are delegated to such persons.

Article 8.5 Shareholders' general meetings are categorized as annual general meetings and extraordinary general meetings. Annual general meetings are held once every year within six months from the end of the preceding financial year.

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

(1) where the number of directors is less than the number stipulated in the Company Law or less than two-thirds of the number specified in these Articles of Association;

(2) where the unrecovered losses of the Company amount to one-third of the total amount of its share capital;

(3) where shareholder(s) individually or jointly holding 10% or more of the Company's issued and outstanding voting shares request(s) in writing for the convening of an extraordinary general meeting;

(4) whenever the Board deems necessary;

(5) whenever the supervisory committee so requests.

Article 8.6 When the Company convenes a shareholders' general meeting, shareholder(s) individually or jointly holding 3% or more of the issued voting shares of the Company shall have the right to propose new motions to the Company.

Article 8.7 Specific motions shall be resolved in shareholders' general meetings. Motions proposed to shareholders' general meetings should comply with the following requirements:

(1) the contents do not contravene any laws, regulations and these Articles of Association, and fall within the scope of

business of the Company and the scope of functions and powers of shareholders' general meetings;

- (2) there are clear objects for discussion and specific issues to be resolved;
- (3) it is submitted or delivered to the Board in writing.

Article 8.8 The Board shall act in the best interest of the Company and shareholders while examining motions to be proposed to shareholders' general meeting in accordance with Article 8.7 of these Articles of Association.

Article 8.9 When the Company convenes a shareholders' general meeting, a notice in writing or in electronic form (including but not limited to publication of an announcement on the Company's website and the website of Hong Kong Stock Exchange) shall be given forty-five (45) days before the date of the meeting to notify all the shareholders registered in the register of shareholders of the matters to be considered at, and the date and place of, the meeting. Any shareholder who wishes to attend the general meeting shall deliver a reply slip concerning attendance of the meeting to the Company twenty (20) days before the date of such meeting.

Article 8.10 The Board, the supervisory committee and any shareholder(s) who hold(s), individually or jointly, 3% or more of the Company's shares shall be entitled to propose motion(s).

Any shareholder(s) who hold(s), individually or jointly, 3% or more of the Company's shares shall be entitled to propose and submit in writing to the convener additional motions sixteen (16) days prior to the date of the shareholders' general meeting. The convener shall issue a supplemental notice of the general meeting within the prescribed period to announce the contents of the additional motion(s).

Except as prescribed in the above paragraph, after the notice of the general meeting has been issued, the convener shall not make any change in the proposed motion(s) as set out in the notice of the general meeting nor add any new motion(s).

When the largest shareholder proposes a new motion on profit distribution, the same shall be submitted to the Board at least sixteen (16) days prior to the date of the annual general meeting for announcement by the Board. If the submission is made less than sixteen (16) days prior to the date of the general meeting, the largest shareholder shall not propose any new motion on profit distribution at the said annual general meeting.

If online voting is adopted at the annual general meeting, any

additional motion so proposed shall be submitted to the Board at least sixteen (16) days prior to the date of the annual general meeting for announcement by the Board. Any additional motion proposed at the meeting or other motions which have not been announced shall not be resolved at the general meeting.

If the motions are amended before the general meeting or additional motions are proposed at the annual general meeting, the Company shall issue a supplemental notice of the general meeting within the prescribed period to disclose the contents of the amended motions, or the names of shareholders proposing such additional motion(s), their shareholdings and the contents of the new motion(s).

After issue of the notice of the general meeting, the general meeting shall not be postponed or cancelled nor shall the motions(s) set out therein be deleted without any proper reason. When the general meeting is to be postponed or cancelled, the convener shall make an announcement specifying the reasons therefor at least two (2) working days prior to the date on which the general meeting is originally scheduled to be held.

Article 8.11 The Company shall, based on the written replies which it receives from the shareholders twenty (20) days before the date of the shareholders' general meeting, calculate the number of voting shares represented by the shareholders who intend to attend the meeting. If the number of voting shares represented by the shareholders who intend to attend the meeting amount to one-half or more of the Company's total voting shares, the Company may hold the meeting; if not, the Company shall, within five (5) days, notify the shareholders by way of announcement the matters to be considered at, and the place and date for, the meeting. The Company may then hold the shareholders' general meeting after publication of such announcement.

An extraordinary general meeting shall not determine matters which have not been stated in the notice.

Article 8.12 A notice of shareholders' general meeting of the Company shall satisfy the following requirements:

- (1) be in writing or in electronic form (including but not limited to publication of an announcement on the Company's website and the website of Hong Kong Stock Exchange);
- (2) specify the place, date and time of the meeting;
- (3) if online voting system is provided to the shareholders for the shareholders' general meeting, state clearly the time when online voting commences and ends, the voting

procedures and matters to be considered;

- (4) state the matters to be discussed at the meeting;
- (5) provide such information and explanation as are necessary for the shareholders to make an informed decision on the matters to be discussed at the meeting. Without limiting the generality of the foregoing, where a proposal is made to amalgamate the Company with another, to repurchase shares, to reorganize the share capital, or to restructure the Company in any other way, the terms of the proposed transaction must be provided in detail together with the contract (if any), and the cause and effect of such proposal must be properly explained;
- (6) contain a disclosure of the nature and extent, if any, of the material interests of any director, supervisor, manager and other senior officer in the matter to be discussed and if the effect which such matter will have on them in their capacity as shareholders different from the effect on the interests of other shareholders of the same class a disclosure of such difference should be included;
- (7) contain the full text of any special resolution to be proposed at the meeting;
- (8) contain a conspicuous statement that a shareholder entitled to attend and vote at such meeting is entitled to appoint one (1) or more proxies to attend and vote at such meeting on his behalf and that a proxy need not be a shareholder;
- (9) state the record date for determining the entitlement of shareholders to attend the shareholders' general meeting;
- (10) specify the time and place for lodging proxy forms for the relevant meeting;
- (11) state the name and contact details of the contact person for the meeting.

Article 8.13 As for holders of foreign shares, the notice of shareholders' general meeting shall be delivered to shareholders (with or without voting power at the general meeting) by hand or by prepaid post at their respective addresses which appear in the register of shareholders, or in electronic form (including but not limited to publication of an announcement on the Company's website and the website of Hong Kong Stock Exchange). As for holders of domestic shares, the notice of the shareholders' general meeting may also be made by way of announcement.

Article 8.14 In case where the notice of shareholders' general meeting is not despatched to a person who is entitled to receive such notice due to accidental omission or such person fails to receive such notice, the shareholders' general meeting and the decisions made in such meeting shall not be invalidated.

Article 8.15 To effectively protect the rights of shareholders to take part in the shareholders' general meeting, any shareholder who is entitled to attend and vote at a shareholders' general meeting of the Company shall be entitled to appoint one or more persons (whether a shareholder or not) as his proxy to attend and vote on his behalf. A proxy so appointed can exercise the following rights pursuant to the authorization given by such shareholder:

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

Article 8.16 The Board, independent directors and shareholders qualified under the relevant regulation may solicit from other shareholders of the Company the rights to vote in a shareholders' general meeting. The solicitation of the rights to vote should be done without consideration, and information should be fully disclosed to the shareholders whose rights to vote are collected.

Article 8.17 The instrument appointing a proxy of a shareholder shall be in writing, and shall be signed by the appointer or his attorney authorized in writing; if the appointer is a legal person, it should be under seal or signed by its director or a duly authorized person.

The instrument appointing a proxy to attend a general meeting issued by the shareholder should state the following:

- (1) the name of the proxy;
- (2) whether or not there is any voting right;
- (3) an indication to vote for or against or abstain from voting on each and every matter included in the agenda of the shareholders' general meeting ;
- (4) whether the proxy is entitled to vote on additional motions which may be proposed in the shareholders' general meeting; and if so, specific instruction as to how the right to vote shall be exercised;

- (5) the date of issue and the validity period of the instrument;
- (6) the signature (or seal) of the appointer; if the appointer is a legal person, it shall be given under seal;
- (7) the instrument shall state whether the proxy is entitled to vote at his discretion in the absence of specific instruction from the shareholder.

Article 8.18 The instrument appointing a voting proxy shall be deposited at the Company's office or at such other place as specified for that purpose in the notice convening the meeting not less than twenty-four (24) hours before the time for holding the relevant meeting at which the proxy proposes to vote or the time appointed for the passing of the resolution. If such instrument is signed by a person under a power of attorney or other authority on behalf of the appointor, a notarized copy of that power of attorney or other authority, together with the instrument appointing a voting proxy, shall be deposited at the Company's office or at such other place as is specified for that purpose in the notice convening the meeting.

If the appointer is a legal person, its legal representative or person authorized by its board of directors or other governing body may attend any meeting of the shareholders of the Company as a representative of the appointer.

Article 8.19 Any form issued to a shareholder by the Board for use by such shareholder for the appointment of a proxy to attend and vote at meetings of the Company shall enable the shareholder to freely instruct the proxy to vote in favour of or against the motions, such instructions being given in respect of each individual matter to be voted on at the meeting.

Article 8.20 A vote given in accordance with the terms of an instrument appointing a proxy shall be valid, notwithstanding the death or loss of capacity of the appointer, or revocation of the proxy, or revocation of the authority under which the proxy was executed, or the transfer of shares in respect of which the proxy is given, provided that the Company has not received any written notice in respect of any such matters prior to the commencement of the relevant meeting.

Article 8.21 The Company shall prepare a log book to record the parties attending the shareholders' general meeting. The log book shall record the name of the person (or unit) attending the meeting, the number of their identification documents, residential address, the number of voting shares they have and the name of the person (or unit) being represented.

Article 8.22 Resolutions of shareholders' general meetings shall be categorized as ordinary resolutions and special resolutions.

An ordinary resolution shall be passed by votes representing more than one-half of the voting rights represented by the shareholders (including proxies) present at the meeting.

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

Article 8.23 Unless otherwise provided in these Articles of Association, when shareholders (including proxies) vote at the general meeting, they shall exercise their voting rights according to the number of voting shares that they represent, and each share carries one vote.

Article 8.24 The Company shall use various means to encourage a higher proportion of participation by shareholders in shareholders' general meetings, including the use of modern information technology, such as the provision of an online voting platform, provided that the legality and validity of the shareholders' general meeting is assured.

Article 8.25 Save and except for voting by attending the shareholders' general meeting, the Board may decide whether to provide an online voting platform to the shareholders. Relevant requirements issued by China Securities Regulatory Commission and the Shenzhen Stock Exchange shall be complied with when implementing online voting for the Company's shareholders' general meeting.

The Company shall arrange for online voting for shareholders when examining the following matters:

- (1) amendment of the Articles of Association;
- (2) cash dividend proposal which is lower than the level as provided in established policy and return plan;
- (3) other matters for which the provision of online voting is required by the China Securities Regulatory Commission and the Stock Exchange.

Where online voting is adopted for the shareholders' general meeting, all shareholders whose names appear on the register of shareholders on the record date for the purpose of the shareholders' general meeting, are entitled to exercise their voting rights through the online voting system for the shareholders' general meeting, provided that the voting right of the same share shall be exercised through only one of the following ways: on-the-spot voting, online voting or other voting methods which are in compliance with the relevant requirements. In the event that the voting right of the same share is repeatedly exercised by means of on-the-spot voting and online voting, on-the-spot voting shall prevail.

Where the shareholders of the Company or their proxies exercise their voting rights through the online voting system for the shareholders' general meeting, they shall participate in the online voting within the effective time as stipulated in the notice of the shareholders' general meeting.

Shareholders of the Company or their proxies shall be entitled to examine their voting results through the online voting system for the shareholders' general meeting.

Article 8.26 When connected transactions are voted at the shareholders' general meeting, the shareholders involved in the connected transactions shall abstain from voting. The voting shares represented by them shall not be counted in the total number of voting shares present at the shareholders' general meeting. The announcement of the resolutions passed by the shareholders' general meeting should fully disclose details of the votes cast by unconnected shareholders. Where any shareholder is, under the listing rules of Hong Kong Stock Exchange, required to abstain from voting on any particular resolution or restricted to vote only for or only against any particular resolution, any vote cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

Article 8.27 At any shareholders' general meeting, a resolution shall be decided on a show of hands unless a poll is demanded:

- (1) by the chairman of the meeting;
- (2) by at least two (2) shareholders present in person or by proxy entitled to vote thereat;
- (3) by one (1) or more shareholders present in person or by proxy and individually or in aggregate representing 10% or more of all shares carrying the right to vote at the meeting,

before or after a vote is carried out by a show of hands.

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

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

Article 8.28 A poll which is demanded on the election of the chairman of the meeting, or on a question of adjournment of the meeting, shall be



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

Article 8.29 On a poll taken at a meeting, a shareholder (including a proxy) entitled to two (2) or more votes needs not cast all his votes for or against the resolution.

Article 8.30 In the case of an equality of votes, whether on a show of hands or on a poll, the chairman of the meeting shall be have a casting vote.

Article 8.31 As to each resolution which is voted upon, at least two (2) representatives of shareholders and one (1) supervisor shall participate in counting the votes and the scrutineer shall announce the voting results at the meeting.

Article 8.32 Where online voting system is provided to shareholders for a shareholders' general meeting, the voting results shall be announced by the representative of the scrutineer at the meeting only after the scrutineer has consolidated and calculated the voting results for each resolution voted by means of on-the-spot voting, online voting and other means of voting in compliance with the relevant requirements.

Where multiple resolutions are to be passed at the shareholders' general meeting, if a shareholder only votes upon one or some of such resolutions, the shareholder shall be deemed as present at the meeting and therefore be taken into account in calculating the total number of shareholders present at the meeting. In other resolutions which the shareholder has not expressed any opinion, the shareholder shall be deemed as having abstained from voting.

Before the formal announcement of the results of online voting, the Company and the substantial shareholders shall be under confidentiality obligation in relation to the voting.

Article 8.33 Shareholders attending the meeting shall either approve or object to the resolutions proposed, or abstain from voting.

Failure to complete the ballot paper, or the ballot paper having been wrongly completed or being illegible, or ballot paper not voted shall be deemed abstention from voting by the voter. The votes represented by such shares shall be counted as "abstention".

Article 8.34 The following matters shall be resolved by an ordinary resolution at a shareholders' general meeting:

(1) work reports of the Board and the supervisory committee;

- (2) profit distribution plans and loss recovery plans formulated by the Board;
- (3) removal of members of the Board and members of the supervisory committee, their remuneration (including without limitation compensation for loss of office and end-of-term-gratuity) and the manner of payment;
- (4) annual budgets and final accounts, balance sheets and profit and loss accounts and other financial statements of the Company;
- (5) matters which shall be passed by shareholders' general meeting other than those which are required by the laws, administrative regulations or these Articles of Association to be adopted by special resolution.

Article 8.35      The following matters shall be resolved by a special resolution at a shareholders' general meeting:

- (1) the increase or reduction in share capital and the issue of shares of any class, warrants and other similar securities;
- (2) the issue of debentures of the Company;
- (3) the division, merger, dissolution and liquidation of the Company;
- (4) the amendment of these Articles of Association;
- (5) other matters which are resolved in shareholders' general meeting by ordinary resolution as being material to the Company and required to be passed by special resolution.

Article 8.36      Shareholders who requisition the convening of shareholders' extraordinary general meeting or a class meeting shall comply with the following procedures:

- (1) two (2) or more shareholders holding in aggregate 10% or more of the shares carrying the right to vote at the meeting sought to be held shall sign the written requisitions in one (1) or more counterparts requiring the Board to convene a shareholders' extraordinary general meeting or a class meeting thereof and stating the object of the meeting. The Board shall proceed as soon as possible to convene the shareholders' extraordinary general meeting or class meeting thereof after the receipt of such written requisition. The number of shares held referred to above shall be calculated as of the date of the written requisitions.

- (2) if the Board fails to issue a notice of such a meeting within thirty (30) days after the receipt of the written requisitions, the requisitionists may themselves convene such a meeting in a manner as similar as possible to the manner in which the shareholders' meetings are convened by the Board within four (4) months after the receipt of such requisitions by the Board. Reasonable expenses incurred by the requisitionists by reason of the Board's failure to convene a meeting as requisitioned and the calling and convening of a meeting by themselves shall be borne by the Company, and such sum shall be set-off against sums owed by the Company to the defaulting directors.

Article 8.37 The Chairman shall chair the shareholders' general meeting. If the Chairman is unable to attend the meeting for any reason, he may nominate a director to convene and chair the meeting on his behalf. If no chairman is appointed for any reason, the shareholders present at the meeting can elect a person as chairman. If the shareholders shall fail to elect a chairman for any reason, the shareholder (including a proxy) holding the largest number of shares carrying the right to vote thereat shall be the chairman of the meeting.

Article 8.38 The chairman of the meeting shall be responsible for determining whether a resolution has been passed. His decision, which shall be final and conclusive, shall be announced at the meeting and recorded in the minute book.

Article 8.39 If the chairman of the meeting has any doubt as to the result of a resolution which has been put to vote at a shareholders' meeting, he may have the votes counted. If the chairman of the meeting has not counted the votes, any shareholder who is present in person or by proxy and who objects to the result announced by the chairman of the meeting may, immediately after the declaration of the result, demand that the votes be counted and the chairman of the meeting shall have the votes counted immediately.

Article 8.40 If votes are counted at a shareholders' general meeting, the result of the count shall be recorded in the minute book.

The minutes of the meeting, together with the log book recording the shareholders who attend the meeting as well as the instruments for appointment of proxies shall be deposited at the Company's office.

Article 8.41 All the Directors, supervisors and the Board Secretary of the Company shall attend the shareholders' general meeting, and the senior officers shall also be present at the meeting. The Company shall arrange means such as video, telephone or online conference to facilitate the participation of the Directors, supervisors and senior

officers in the shareholders' general meeting. Except for trade secrets of the Company which cannot be disclosed at the shareholders' general meeting, the Directors, supervisors and senior officers should reply or explain in response to the queries and suggestions from shareholders. The accountants responsible for annual audit of the Company shall attend the shareholders' annual general meeting, and give explanation on the Company's annual report and audit-related issues on which investors have concerns and doubts.

Article 8.42 The Company shall formulate the "Rules of Procedures of Shareholders' General Meeting" to specify in details the convening and voting procedures of shareholders' general meetings, including meeting notice, registration, examination of proposals, casting of votes, vote counting, announcement of voting results, passing of resolutions and the signing thereof, minutes of the meeting and the signing thereof, content of announcement in relation to resolutions of the meeting, as well as the principles of authorization by the shareholders' general meeting to the Board, and the scope of such authorization shall be clear and specific.

Article 8.43 Minutes of a shareholders' general meeting should be kept. The minutes should set out the following:

- (1) the number of voting shares held by the shareholders (or their proxies) who have attended the meeting and their proportion to the total number of shares of the Company;
- (2) the number of voting shares held by the shareholders of domestic shares (including their proxies) and voting shares held by shareholders of foreign shares (including their proxies) who have attended the meeting and their respective proportion to the total number of shares of the Company;
- (3) the date and venue for convening the meeting;
- (4) the name of the chairman of the meeting and the agenda of the meeting;
- (5) main points put forward by each speaker in relation to each motion;
- (6) the voting result of each resolution (the voting results of each and every resolution by the shareholders of domestic shares and shareholders of foreign shares should also be recorded respectively);
- (7) details of queries and recommendations of the shareholders and the corresponding response or

explanation by the Board and the supervisory committee in relation thereto;

- (8) other contents which should be recorded in the minutes according to the shareholders' general meeting and these Articles of Association.

Article 8.44 The announcement on the resolutions of a shareholders' general meeting shall include the following contents:

- (1) the time, venue, manner, convener and chairman of the meeting, and a statement as to whether it is in compliance with the relevant laws, rules, regulations and these Articles of Association;
- (2) the number of attending shareholders (their proxies), the total number of shares held by such shareholders (their proxies) and its proportion to the total number of voting shares of the Company;
- (3) the manner as to how each motion has been voted upon;
- (4) the voting results of each motion. Regarding the motion proposed by shareholders, the announcement shall state the name of the proposing shareholders, the proportion of their shareholdings and the content of such motion. In case of connected transactions, the announcement shall include a statement as to abstention of voting by connected shareholders. If a motion is not passed or any resolution passed at the previous shareholders' general meeting is revised at the current shareholders' general meeting, explanation shall be given in the announcement on resolutions of the shareholders' general meeting;
- (5) summarized legal opinion, or in the event that any resolution is added, vetoed or amended at the shareholders' general meeting, the whole text of such legal opinion shall be disclosed.

Article 8.45 The minutes of the shareholders' general meeting shall be signed by the Directors who have attended such meeting as well as the person who took the minutes. Such minutes shall be kept by the Board Secretary as the Company's files for a period of ten (10) years.

Article 8.46 Copies of the minutes of the proceedings of any shareholders' meeting shall, during business hours of the Company, be open for inspection by any shareholder without charge. If a shareholder requests for a copy of such minutes from the Company, the

Company shall send a copy of such minutes to him within seven (7) days after receipt of reasonable fees therefor.

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

Article 9.1      Shareholders who hold different classes of shares are class shareholders.

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

Article 9.2      Rights conferred on any class of shareholders may not be varied or abrogated save with the approval by a special resolution in a shareholders' general meeting and by shareholders of the affected class at a separate meeting convened in accordance with Article 9.4 to Article 9.8 herein.

Article 9.3      The following circumstances shall be deemed to be a variation or an abrogation of rights attaching to a particular class of shares:

- (1) to increase or decrease the number of shares of that class, or to increase or decrease the number of shares of a class having voting rights, rights to distribution or other privileges equal or superior to those of the shares of that class;
- (2) to exchange all or part of the shares of that class for shares of another class or to exchange or to grant a right to exchange all or part of the shares of another class for shares of that class;
- (3) to remove or reduce rights to accrued dividends or rights to cumulative dividends attached to shares of that class;
- (4) to reduce or remove preferential rights attached to shares of that class to receive dividends or to the distribution of assets in the event that the Company is liquidated;
- (5) to add, remove or reduce conversion rights, options, voting rights, rights to transfer, pre-emptive rights or rights to acquire securities of the Company attached to shares of that class;
- (6) to remove or reduce rights to receive payment payable by the Company in particular currencies attached to shares of that class;
- (7) to create a new class of shares having voting rights, rights

to distribution or other privileges equal or superior to those of the shares of that class;

- (8) to restrict the transfer or ownership of shares of that class or to increase the types of restrictions attaching thereto;
- (9) to allot and issue rights to subscribe for, or to convert the existing shares into, shares of that class or another class;
- (10) to increase the rights and privileges of shares of another class;
- (11) to restructure the Company in a way which results in the disproportionate assumption of obligations between different classes of shareholders;
- (12) to vary or abrogate the provisions of this Chapter.

Article 9.4 Shareholders of the affected class, whether or not otherwise having the right to vote at shareholders' general meetings, have the right to vote at class meetings in respect of matters concerning sub-paragraphs (2) to (8), (11) and (12) of Article 9.3 herein, but interested shareholder(s) shall not be entitled to vote at such class meetings.

“(An) interested shareholder(s)”, as such term is used in the preceding paragraph, means:

- (1) in the case of a repurchase of shares of the Company by way of a general offer to all shareholders on a pro rata basis or by way of public dealing on a stock exchange pursuant to Article 4.5, a “controlling shareholder” within the meaning of Article 7.9;
- (2) in the case of a repurchase of shares the Company by an off-market agreement pursuant to Article 4.5, a holder of the shares to which the proposed agreement relates;
- (3) in the case of a restructuring of the Company, a shareholder who assumes a relatively lower proportion of obligation than the obligations imposed on other shareholders of that class or who has an interest different from those of other shareholders of that class.

Article 9.5 Resolutions of a class meeting shall, in accordance with Article 9.4 herein, be passed by votes representing two-thirds or more of the voting rights of shareholders of that class represented at the relevant class meeting.

Article 9.6 When the Company convenes a class meeting, a notice in writing or

in electronic form (including but not limited to publication of an announcement on the Company's website and the website of Hong Kong Stock Exchange) shall be given forty-five (45) days before the date of the meeting to notify all holders of such class of shares registered in the register of shareholders of the matters to be considered at, and the date and place of, the meeting. Any shareholder who wishes to attend the meeting shall serve a reply slip concerning attendance of the meeting to the Company twenty (20) days before the date of such meeting.

If the shareholders who intend to attend such class meeting represent one-half or more of the total number of shares of that class with right to vote at such meeting, the Company may hold the class meeting; if not, the Company shall within five (5) days give the shareholders further notice of the matters to be considered at, and the date and the place of, the class meeting by way of announcement. The Company may then hold the class meeting after such announcement has been made.

Article 9.7 Notice of class meetings need only be served on shareholders who are entitled to vote thereat.

Class meetings shall be conducted in a manner which is as similar as possible to that of shareholders' general meetings. The provisions of these Articles of Association relating to the conduct of shareholders' general meetings are also applicable to class meetings.

Article 9.8 Apart from the holders of other classes of shares, the holders of the domestic shares and holders of overseas-listed foreign shares shall be deemed to be holders of different classes of shares.

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

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

## **Chapter 10 Directors and Board of Directors**



## **Section I     Directors**

Article 10.1     A Director should be a natural person and it is not a prerequisite for a Director to hold any share of the Company.

Article 10.2     Directors shall be elected or replaced at the shareholders' general meeting and their term of office shall be three (3) years. At the expiry of the term, it shall be renewable upon re-election. A Director shall not be removed by the shareholders in a general meeting without any reason before the expiry of his term of office.

The tenure of a Director shall commence from the date of the passing of the resolution in the shareholders' general meeting until the end of the tenure of the existing Board.

Subject to the compliance with all the relevant laws and administrative regulations, the shareholders' general meeting may by ordinary resolution remove any Director before the expiration of his term of office (however, the Director's right to claim damages arising under any contract from his removal shall not be affected thereby).

Article 10.3     The Board and the supervisory committee of the Company are entitled to put forward proposals at the shareholders' general meeting to nominate candidates for directorship or change Directors of the Company.

In addition, shareholders individually or in aggregate holding three (3) percent or more of the total issued voting shares of the Company are entitled to put forward proposals at the shareholders' general meeting to change Directors of the Company. However, in nominating candidates for directorship, the maximum number of candidates to be nominated shall be determined at a ratio of one candidate for directorship for every three (3) percent of the total issued voting shares held, disregarding any balance less than three (3) percent.

A written notice stating the intention to nominate a candidate for directorship and the candidate's consent to be nominated shall be delivered to the Board not earlier than the day following the despatch of the notice of shareholders' general meeting for the election of Directors, and not later than seven (7) days before the shareholders' general meeting is held. The provisions of these Articles of Association apply to proposals on the nomination of candidates for directorship and change of Directors.

The cumulative voting system shall be adopted for the election of Directors (including independent Directors) of the Company. That is, for the election of Directors at the shareholders' general meeting of the Company, each voting share held by the shareholders carries

votes equivalent to the total number of Directors to be elected at the shareholders' general meeting, and the number of votes which a shareholder is entitled to cast is equal to the number of shares held multiplied by the total number of directors to be elected. The votes of a shareholder may be cast on one candidate for directorship or may be cast on different candidates for directorship, provided that the number of votes cast by each shareholder for the election of directors shall not exceed the highest number of cumulative votes.

The election of Executive Directors and independent Directors of the Company shall be voted separately.

In the election of Executive Directors, the number of votes which each shareholder is entitled to cast is equal to the number of voting shares held multiplied by the number of Executive Directors to be elected. These votes may only be cast on candidates for executive directorship.

In the election of independent Directors, the number of votes which each shareholder is entitled to cast is equal to the number of voting shares held multiplied by the number of independent Directors to be elected. These votes may only be cast on candidates for independent directorship.

Whether a candidate for directorship (including independent directorship) is elected depends on the number of votes received, but the number of votes received by each elected Director must exceed half of the valid voting shares (based on the number of shares on a non-cumulative basis) held by shareholders present at the general meeting.

The Company may formulate implementation rules of the cumulative voting system.

Article 10.4 The Board should, before convening the shareholders' general meeting, disclose the information of the candidate for directorship in detail in the notice of shareholders' general meeting to ensure that the shareholders have sufficient understanding about the candidates while casting votes.

The candidate for directorship shall, before the convening of the shareholders' general meeting, give a notice in writing indicating his consent to the nomination, his undertaking as to the truthfulness and completeness of his information publicly disclosed and his assurance in due performance of director's duties after being elected. The candidate for directorship shall introduce his own background, work experience and work plan after assuming office at the shareholders' general meeting.

New directors shall sign the "Director's Declaration and

Undertaking” within one month after his appointment by the shareholders’ general meeting and shall submit to the Board and the stock exchange on which the Company’s shares are listed for record.

Article 10.5 Directors shall actively take part in relevant training to understand the rights, obligations and responsibilities of a director. They shall be acquainted with relevant laws and regulations and shall grasp relevant knowledge which a director ought to possess.

Article 10.6 Unless otherwise regulated by these Articles of Association or lawfully authorized by the Board, no Director shall, in his own name, act on behalf of the Company or the Board. While a Director acts in his own name, he shall declare his stance and identity in advance if the third party would reasonably perceive that such Director is acting on behalf of the Company or the Board.

Article 10.7 Directors shall attend the Board meeting with serious and responsible attitude and shall clearly express their opinions on issues that are to be discussed. If a Director is unable to attend the Board meeting in person, he shall appoint another Director in writing to vote on his behalf according to his view and the appointing Director shall be solely liable.

If a Director fails to attend two Board meetings consecutively in person or fails to appoint another Director to attend such meetings on his behalf, he shall be deemed to be in default of performing his duty. The Board should recommend his removal to the shareholders’ general meeting.

Article 10.8 A Director may submit his resignation before the expiry of his term. He should deliver a written resignation report to the Board.

Article 10.9 If a Director’s resignation will result in the number of Directors falling below the minimum presented by law, his resignation shall not come into force until the vacancy is filled by a new Director. The remaining Directors shall convene a shareholders’ general meeting as soon as possible for the election of a new Director in order to fill the vacancy arising from the resignation. The tenure of the newly elected Director shall expire until the end of the tenure of the existing Board. Before any decision in regard to the election of Director is made at the shareholders’ general meeting, the functions and powers of the Director who has tendered his resignation and the rest of the Board shall be reasonably restricted.

Save and except the circumstances described in the preceding paragraph, a Director’s resignation shall take effect upon the submission of the resignation report to the Board.

When there is a vacancy in the Board due to reasons other than a Director’s resignation, the Board may appoint a person to fill that

vacancy. The appointee may exercise the functions and powers of Director until a new Director is elected by the shareholders' general meeting. The requirements stipulated in the preceding provisions of this Article shall be applicable to the tenure of the new Director.

Article 10.10 A Director whose tenure has not expired shall be liable to compensate the Company for its loss due to his resignation without approval.

Article 10.11 The Company can purchase liability insurance for the Directors with the approval of the shareholders' general meeting, excluding liabilities incurred by the Directors due to violations of laws and regulations and the requirements under these Articles of Association.

Article 10.12 The requirements in this section regarding the duties of Directors shall be applicable to the supervisors, managers and other senior management of the Company.

Article 10.13 The managing personnel, person in charge of finance, person in charge of sales and marketing personnel and the Board Secretary shall not hold any office other than directorship in the controlling shareholder's units. A person who is both a member of the controlling shareholder's senior management as well as a Director of the Company shall ensure that he has sufficient time and energy to perform the Company's tasks.

## **Section II Composition of the Board and Its Duties**

Article 10.14 The Company shall have a board of directors which is accountable to and shall report on its work to the shareholders' general meeting. The Board shall consist of nine (9) Directors who are elected by the shareholders' general meeting, six (6) of whom are Executive Directors who are responsible for the daily operation of the Company and three (3) of whom are Independent Non-executive Directors who will not engage in the daily operation of the Company. The Board shall have a chairman.

The Chairman shall be a Director of the Company and shall be elected or removed by more than one-half of all the Directors. The tenure of the Chairman is three (3) years, which is renewable upon re-election. The Chairman shall not assume the role of general manager at the same time.

The Chairman shall take primary responsibility for the operation of the Board. He shall ensure the establishment of a good governance mechanism, the timely incorporation of topics proposed by the Directors or senior officers into the Board meeting agenda, the timely provision of sufficient and complete relevant background information on the Company's operation and topics to be discussed

at the Board meeting to the Directors, and the operation of the Board in the best interest of the Company.

The Chairman shall promote the culture of open and democratic discussion, ensure sufficient time for discussion on every Board meeting agenda item, encourage dissenting Directors to adequately express their opinions, ensure effective communication between Executive Directors and Independent Non-executive Directors, and ensure scientific and democratic decision-making of the Board.

The Chairman shall take steps to maintain effective communication and contact with shareholders to ensure that the views of shareholders, especially those of institutional investors and small to medium investors, are sufficiently communicated to the Board and the right of the institutional investors and small to medium investors to propose motions and receive information are safeguarded.

Article 10.15 The Board is accountable to the shareholders' general meeting and shall exercise the following functions and powers:

- (1) to be responsible for the convening of the shareholders' general meeting and to report on its work to the shareholders' general meetings;
- (2) to implement the resolutions passed by the shareholders' general meetings;
- (3) to determine the Company's business plans and investment proposals;
- (4) to formulate the Company's annual financial budgets and final accounts;
- (5) to formulate the Company's profit distribution proposal (including the distribution proposal of year-end dividends) and loss recovery proposal;
- (6) to formulate proposals for the increase or reduction of the Company's registered capital and for the issuance of debentures by the Company;
- (7) to draw up plans for material acquisition or disposal by the Company and plans for the merger, division or dissolution of the Company;
- (8) to exercise the Company's power as to financing and borrowing and to determine the charge, lease and transfer of important assets of the Company;

- (9) to decide on the Company's internal management structure;
- (10) to appoint or remove the Company's manager(s) and to appoint or remove the deputy manager(s) and person in charge of finance of the Company based on the recommendation of the manager(s), and to decide on their remuneration;
- (11) to formulate the Company's basic management system, and to the extent authorized by the shareholders' general meeting, amend the relevant rules of procedures and working system pursuant to the relevant laws and regulations and requirements of regulatory authorities;
- (12) to formulate proposals for any amendment of these Articles of Association;
- (13) subject to compliance with the relevant requirements of the State, to determine the level of remuneration and fringe benefits and the reward system;
- (14) to decide on the establishment of special committees and the appointment and removal of relevant persons-in-charge;
- (15) to decide on other major business and administrative issues which are not required to be determined by the shareholders' general meeting under these Articles of Association;
- (16) to manage disclosure of the Company's information;
- (17) to recommend to the shareholders' general meeting the appointment or replacement of the accounting firm which conducts audit work for the Company;
- (18) to receive the working report by the Company's manager(s) and examine their performance;
- (19) to examine and approve external investment, entering into of material commercial contract, entrusted investment and asset acquisition and disposal which meet one of the following standards, provided that the same shall be examined and approved at a shareholders' general meeting if it meets the condition set out in item (14) of Article 8.2 or Article 10.16 of the Articles of Association:
  - (a) the total assets which are the subject of the transaction account for 10% or more of the total assets in the latest audited consolidated statements of the Company. If

there are both book value and assessed value for the total assets which are the subject of the transaction, the higher figure shall be used as the basis of calculation;

- (b) the revenue from principal business of the subject of the transaction (for example, equity interests) in the latest accounting year accounts for 10% or more of the revenue from principal business in the audited consolidated statements of the Company in the latest accounting year, and the absolute amount exceeds 10 million yuan;
  - (c) the net profit of the subject of the transaction (for example, equity interests) in the latest accounting year accounts for 10% or more of the net profit in the audited consolidated statements of the Company in the latest accounting year, and the absolute amount exceeds 1 million yuan;
  - (d) the consideration of the transaction (including the assumption of liability to debts and expenses) accounts for 10% or more of the net assets in the latest audited consolidated statements of the listed company, and the absolute amount exceeds 10 million yuan;
  - (e) the profit generated by the transaction accounts for 10% or more of the net profit in the audited consolidated statements of the listed company in the latest accounting year, and the absolute amount exceeds 1 million yuan;
  - (f) if the data involved in the above indicative calculations is a negative figure, its absolute value shall be used for the purpose of calculation;
  - (g) other external investment, entering into of material commercial contract, entrusted investment and asset acquisition and disposal which are required by the laws and regulations to be examined by the Board, or are considered by the Board as necessary to be examined by the same.
- (20) to examine and approve connected transaction which meets one of the following standards, provided that the same shall be examined and approved at a shareholders' general meeting if it meets the condition set out in item (16) of Article 8.2 of the Articles of Association:
- (a) connected transaction between the Company and connected person (excluding the receipt of cash assets

and provision of guarantee by the Company) in amount of 3 million yuan or more and representing 0.5% or more of the absolute amount of the latest audited net assets of the Company; or

(b) other connected transaction which is considered by the Board as necessary to be examined by the same;

(21) to examine and approve investment in derivatives used for hedging purpose which does not meet the condition set out in item (15) of Article 8.2 of the Articles of Association;

(22) to exercise other functions and powers which are authorized by the shareholders' general meeting and these Articles of Association.

Save in respect of the matters specified in sub-paragraphs (6), (7) and (11) of this Article which shall be passed by the affirmative votes of two-thirds or more of all the Directors, the Board's resolutions in respect of all other matters above may be passed by the affirmative votes of more than one-half of the Directors.

Article 10.16 The Board shall not, without the prior approval of shareholders in a general meeting, dispose or agree to dispose of any fixed assets where the aggregate of the expected amount or value of the consideration for the proposed disposition, and the amount or value of the consideration for any fixed assets that have been disposed of within the period of four (4) months immediately preceding the proposed disposition, exceeds 33% of the value of the Company's fixed assets as shown in the latest balance sheet which was considered at a shareholders' general meeting.

For the purposes of this Article, "disposition of fixed assets" includes an act involving the transfer of interests in assets but does not include the use of fixed assets for the provision of security.

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

Article 10.17 The Chairman shall exercise the following functions and powers:

- (1) to preside over shareholders' general meetings and to convene and preside over the Board meetings;
- (2) to check on the implementation of resolutions passed by the Board at the Board meetings;
- (3) to sign the securities certificates, debentures and other securities with value issued by the Company;



- (4) to sign important documents of the Board, important contracts and other documents which should be signed by the Company's legal representative; or to issue a power of attorney to appoint his representative to sign such documents;
- (5) to exercise the functions and powers of a legal representative;
- (6) in the event of emergency situations such as the occurrence of large-scale natural disasters and other force majeure events, to take special steps in handling the Company's business according to the laws and the Company's interest, and to report to the Board and shareholders' general meeting afterwards;
- (7) to exercise other functions and powers conferred by the Board.

Where the Chairman is unable to perform his duties, any other Director appointed by the Chairman can exercise his functions and powers on his behalf.

Article 10.18 The Board should operate independently. There is no superior-subordinate relationship between the controlling shareholders and their functional departments and the Board. The controlling shareholders and their subsidiaries shall not issue any plans and orders in relation to the operation of the Company to the Board and its subordinates, and shall not affect the independence of the Company's operation and management in any manner.

### **Section III Rules and Procedures of the Board Meeting**

Article 10.19 The Board shall hold at least four (4) regular meetings every year and such meetings shall be convened by the Chairman. All of the Directors should be notified about the meeting in writing fourteen (14) days beforehand. An extraordinary meeting of the Board may be convened when the Chairman thinks it is necessary.

Article 10.20 An extraordinary meeting of the Board shall be convened within ten (10) days by the Chairman upon his receipt of such request in any of the following circumstances:

- (1) when one-third or more of the Directors so request;
- (2) when the supervisory committee so requests;
- (3) when the general manager so requests;

- (4) when shareholders carrying voting rights of 10% or more so requests.

All Directors should be notified in writing ten (10) days before an extraordinary meeting of the Board is held.

If any circumstances prescribed by this Article take place and the Chairman is unable to perform his duty, he shall nominate a Director to convene the extraordinary Board meeting on his behalf. If the Chairman does not perform his duty without any valid reason and fails to appoint a person to perform his duty on his behalf, a Director who is nominated by one-half or more of the Directors can convene such meeting.

Article 10.21 A notice of the Board meeting shall contain the following contents:

- (1) date and place of the meeting;
- (2) duration of the meeting;
- (3) reason to convene such meeting and business to be discussed;
- (4) date of notice.

Article 10.22 Board meeting shall only be held if more than one half of the Directors attend.

Each Director has one (1) vote. A resolution of the Board must be passed by more than one-half of all the Directors.

In case of an equality of votes cast for and against a resolution, the Chairman shall have a casting vote.

Article 10.23 As long as the Directors can fully express their opinions, an impromptu Board meeting may be held by way of facsimile, during which resolutions may be passed and signed by participating Directors.

The Board may adopt written resolution in lieu of holding Board meeting provided that the proposal of such resolution must be delivered to each and every Director by hand, by post or by facsimile. If the relevant written resolution has been delivered to all the Directors and the number of Directors who have signified their consent on one or more counterparts of that proposed resolution has reached the minimum prescribed by law for making such decision and the same is / are then delivered to the Board Secretary using one of the aforesaid manners, such resolution is deemed to be passed as a Board resolution and no Board meeting has to be convened.

Article 10.24 The Board meeting shall be held, as a matter of principle, at the Company's office. However, it may be held in other places within the PRC as determined by the Chairman.

Article 10.25 The expenses incidental to the Directors attending the Board meetings shall be payable by the Company. Such expenses include the overseas transportation fees incurred by the Directors for travelling from where they are to the venue of the meeting, meal and accommodation fees during the meeting, venue rental and the local transportation fees.

Article 10.26 The time and venue of the Board meeting may be determined by the Board in advance and shall be recorded on the minutes. If such minutes have been delivered to all the Directors at least ten (10) days before the next Board meeting is held, no additional notice of meeting has to be given.

In case where the Board has not determined the time and venue of the Board meeting in advance, the Chairman or the Board Secretary shall notify all the Directors the time and venue of the Board meeting by telex, telegraph, facsimile, express delivery service, registered mail or messenger at least ten (10) days (but not more than 30 days) before the Board meeting.

Notice of a meeting shall be deemed to have been given to any Director who attends the meeting without protesting against, before or at its commencement, any lack of notice.

A Board meeting can be held by way of telephone conference or other similar telecommunication devices. During such meeting, as long as the Directors attending the meeting can clearly hear what other Directors say and can interact with each other, all attendees shall be deemed to have attended the meeting in person.

Article 10.27 Unless otherwise required by the Board, a general manager who himself is not a Director can attend the Board meeting and has the right to receive the notice of Board meeting and relevant documents and can express his view during the meeting. However, unless the general manager is also a Director, he does not have the right to determine or vote in the Board meeting.

Article 10.28 Directors shall attend the Board meeting in person. Where a Director is unable to attend a meeting for any reason, he may by a written power of attorney appoint another Director to attend the meeting on his behalf. The power of attorney shall set out the scope of authorization.

A Director appointed as a representative of another Director to attend the meeting shall exercise the rights of the Director within the scope of authorization. Where a Director is unable to attend a Board

meeting and has not appointed a representative to attend the meeting on his behalf, he shall be deemed to have waived his right to vote at that meeting.

Article 10.29 If any Director has interest in the matter to be resolved by the Board, such Director shall excuse himself and shall not have any voting right. Such Director shall not be counted towards the quorum of the meeting. A Director shall not vote in respect of any Board resolution relating to any contract, arrangement or proposal in which such Director or any of his associates (as defined by the listing rules of the Hong Kong Stock Exchange) have material interest, and such Director shall not be counted towards the quorum of the meeting.

Article 10.30 The Board shall keep minutes of resolutions passed at the Board meetings. The minutes shall be signed by the Directors who have attended the meeting and the person who took the minutes. Directors who have attended the meeting have the right to request that their views expressed during the meeting be recorded in the minutes in a descriptive manner. Minutes of the Board meeting shall be kept by the Board Secretary for a period of ten (10) years.

Article 10.31 The minutes of the Board meeting shall include the following contents:

- (1) date and place of the meeting and name of the convener;
- (2) names of participating Directors and Directors who are appointed as representatives to attend the Board meeting (proxies);
- (3) agenda of the meeting;
- (4) main points put forward by the Directors;
- (5) voting method for each matter to be resolved and its result (the voting result should specify the number of votes for and against and abstentions).

Article 10.32 The announcement of the Board resolution shall including the following:

- (1) the date and method of the issue of the notice of the Board meeting;
- (2) the time and venue of the Board meeting and the manner by which such meeting was held, and a statement as to whether the Board meeting has complied with the relevant laws, rules, regulations and these Articles of Association;

- (3) the names and the number of Directors who have attended the meeting in person, Directors who have appointed representatives to attend the meeting on their behalf and Directors who were absent, reasons for absence and the names of the Directors who were appointed as representatives;
- (4) the number of votes for and against each and every resolution as well as the abstention votes, and the reasons of the relevant Directors for voting against the resolution or abstaining from voting;
- (5) for resolutions which relate to connected transactions, a statement of the names of the Directors who have to abstain from voting, the reasons therefor and whether the Directors have so abstained;
- (6) for resolutions which require prior recognition or independent opinions from the independent Directors, explanations as to the circumstances with regard to the prior recognition or opinions given;
- (7) the particulars of the matters considered and the resolutions passed.

Article 10.33 The Directors shall be liable for the resolutions of the Board. If a resolution of the Board violates the laws, administrative regulations or these Articles of Association and the Company suffers serious loss as a result thereof, the Directors who participate in the passing of such resolution are liable to compensate the Company therefor. However, if it can be proved that a Director has expressed his objection when the resolution is voted on, and if such objection was recorded in the minutes of the meeting, such Director shall be released from such liability.

#### **Section IV Independent Directors**

Article 10.34 The Board shall have independent Directors.

Independent Directors shall comprise one-third or more of the members of the Board, and at least one of the independent Directors shall have accounting expertise. The independent Directors shall perform their duties honestly and faithfully and safeguard the Company's interests, in particular, they should pay attention to the protection of the legal interests of public shareholders from being infringed.

The independent Directors shall perform their duties independently, without being affected by major shareholders of the Company,

persons in actual control of the Company or other interested entities or individuals of the Company, its major shareholders and the persons in actual control.

Article 10.35 An independent Director should be independent. The following persons shall not act as independent Directors:

- (1) persons working in the Company or its subsidiaries, as well as their lineal and close relatives (lineal relatives mean spouses, parents and children, etc.; whereas close relatives mean siblings, parents-in-law, sons or daughters-in-law, spouses of their siblings and siblings of their spouses, etc.);
- (2) shareholders (who are natural persons) who directly or indirectly hold 1% or more of the issued shares of the Company or who rank in the top ten shareholders of the Company, as well as their lineal relatives;
- (3) persons who work in entities being shareholders who directly or indirectly hold 5% or more of the issued shares of the Company or entities which rank in the top five shareholders of the Company, as well as their lineal relatives;
- (4) persons who fell within the above three circumstances in the preceding year;
- (5) persons who provide financial, legal and consulting services, etc. to the Company or its subsidiaries.

Article 10.36 The Board, the supervisory committee and shareholder(s) individually or in aggregate holding 1% or more issued shares may nominate candidates for election as independent Directors at the shareholders' general meeting.

Article 10.37 Material connected transactions and the appointment and removal of an Accounting Firm shall have been agreed by one-half or more of the independent Directors before the same are tendered to the Board for discussion.

Consent of one-half or more of the independent Directors is required for any request by the independent Directors to the Board to convene an extraordinary shareholders' general meeting or a Board meeting and public solicitation for voting rights from the shareholders before the shareholders' general meeting.

With the consent of all the independent Directors, the independent Directors may engage external auditing institutions or consultative institutions to provide audit and consultation for specific matters of

the Company, the relevant expenses of which shall be borne by the Company.

- Article 10.38 Independent Directors shall attend the Board meetings on time so as to understand the production and operation of the business of the Company, and shall initiate investigation to obtain information required for decision making.

Independent Directors shall submit an annual report of all the independent Directors at the annual shareholders' general meeting of the Company to provide explanations in respect of the performance of their duties.

- Article 10.39 The Company shall set up a working system for the independent Directors to give full play to the supervisory function of the independent Directors. The independent Directors may explain to the Board of the Company and request co-operation from the senior officers or Board Secretary if they meet obstacles in the exercise of their functions and powers. The senior officers and the Board Secretary should actively co-operate with the independent Directors to exercise their functions and powers. If the independent Directors consider that the relevant content of matters to be examined by the Board is not specific or concrete or the relevant information is insufficient, they may request the Company to provide supplementary information or give further explanation. Where two or more than two independent Directors consider that information on matters to be examined in the meeting is not sufficient or the argument is not clear, they may propose jointly in writing to the Board to postpone the convening of the Board meeting, or postpone the examination of the relevant matters, and such proposal shall be adopted by the Board. The independent Directors are entitled to request the Company to disclose the proposal made by them which has not been adopted by the Company and the reasons therefor.

The Company should ensure that the independent Directors shall enjoy the same right to information as other Directors. The Company shall timely provide the independent Directors with relevant materials and information, regularly notify them of the operation of the Company and organize on-site visit by the independent Directors if necessary.

- Article 10.40 The term of office of the independent Directors is the same as that of the other Directors of the Company. At the expiry of the term, it is renewable upon re-election, but an independent Director shall not remain in office for more than six (6) years.

If an independent Director fails to attend three (3) consecutive Board meetings in person, the Board shall recommend his removal to a shareholders' general meeting. No independent Director shall be removed before the expiry of his term of office without appropriate

reason. Any removal before the expiry of term shall be disclosed by the Company as a special discloseable matter. If an independent Director so removed perceives the reason of his removal given by the Company as inappropriate, he can make a public declaration in this regard.

Article 10.41 An independent Director may tender resignation before the expiry of his term of office. He should deliver a written resignation report to the Board, explaining any circumstances that are relevant to his resignation or circumstances which he considers to be necessary to be brought to the attention of the shareholders and creditors of the Company.

If an independent Director's resignation results in the number of independent Directors or member of the Board falling below the minimum as prescribed by law or these Articles of Association, then before the appointment of a new independent Director, such independent Director shall continue to perform his duties according to the laws, administrative regulations and requirements under the Article of Association. The Board shall convene a shareholders' general meeting to be held within two (2) months to elect a new independent Director. If no shareholders' general meeting is held within the prescribed time, such independent Director may cease to perform his duties.

Article 10.42 In order to give full play to the role of the independent Directors, apart from the power and functions conferred by the Company Law and other relevant laws and rules to the independent Directors, the Company also confers the following special power and functions to the independent Directors:

- (1) material connected transaction (which refers to connected transaction proposed to be entered into between the Company and the connected person whereby the total amount exceeds three (3) million yuan and is more than 0.5% of the latest audited net assets of the Company) and the appointment or removal of the Accounting Firm shall be tendered to the Board for discussion only after approval by one-half or more of the independent Directors;
- (2) to propose to the Board to convene a shareholders' extraordinary general meeting if agreed by one-half or more of all the independent Directors;
- (3) to propose the convening of a Board meeting if agreed by one-half or more of all the independent Directors;
- (4) to publicly solicit voting rights from the shareholders before the shareholders' general meeting if agreed by



one-half or more of all the independent Directors;

- (5) with the consent of all the independent Directors, to engage external auditing institutions or consultative institutions to provide audit and consultation for specific matters of the Company, the relevant expenses of which shall be borne by the Company;
- (6) to propose the convening of a meeting to be attended by the independent Directors only if agreed by one-half or more of all the independent Directors;
- (7) to express independent opinions on the major matters of the Company.

## **Section V Special Committees of the Board**

Article 10.43 The Board can establish special committees including strategy committee, audit committee, nomination committee and remuneration and appraisal committee in accordance with the resolutions of the shareholders' general meeting. All members of the special committees shall be Directors. Independent Directors shall make up the majority of and shall be the convener of the audit committee, the nomination committee and the remuneration and appraisal committee. There must be at least one independent Director who is an accounting professional in the audit committee.

Article 10.44 The major responsibility of the strategy committee is to analyze and make proposals with regard to the long-term strategic development and material investment decisions of the Company.

Article 10.45 The major responsibilities of the audit committee are as follows:

- (1) to suggest the appointment or change of external auditing institutions;
- (2) to monitor and implement the internal audit system of the Company;
- (3) to be responsible for the communication between the internal and external audit functions;
- (4) to examine and approve the financial information of the Company and its disclosure;
- (5) to examine the internal control system of the Company;
- (6) to establish a whistle-blowing mechanism to follow and

handle openly the questions and complaints made by the staff, customers, suppliers and investors of the Company and social media on the truthfulness, accuracy and completeness of financial information.

Article 10.46 The major responsibilities of the nomination committee are as follows:

- (1) to analyze the standard and process for selection of Directors and managers and to make recommendations;
- (2) to extensively identify individuals qualified to become Directors or managers;
- (3) to examine the candidates for the positions of Directors and managers and to make recommendations.

Article 10.47 The major responsibilities of the remuneration and appraisal committee are as follows:

- (1) to analyze the standard of appraisal of Directors and managers, to carry out the appraisal and to make recommendations;
- (2) to analyze and examine the remuneration policy and proposal for Directors and senior officers;
- (3) to make recommendations in situations where Directors or senior officers accept responsibilities and resign or are proposed to be dismissed for their defaults and failure to perform their duties.

Article 10.48 Each of the special committees may engage intermediaries to provide professional advice and the relevant expenses shall be borne by the Company.

Article 10.49 Each of the special committees shall be accountable to the Board and the proposal of each of the special committees shall be submitted to the Board for examination and determination.

## **Chapter 11 Board Secretary**

Article 11.1 The Company shall have one (1) to two (2) Board Secretary(ies). The Board Secretary is a senior officer of the Company.

Article 11.2 If the Company has two (2) Board Secretaries, the said two (2) secretaries shall be responsible for the Company's affairs in the PRC and Hong Kong respectively in accordance with the requirements of this Article. The Board shall decide the relevant division of labour.

The major responsibilities of the Board Secretary who is responsible for the PRC affairs are as follows:

- (1) to ensure the Company has complete constitutional documents and records;
- (2) to ensure the Company to prepare and deliver in accordance with law those documents and reports required by competent authorities entitled thereto;
- (3) to ensure that the Company's registers of shareholders are properly maintained and that persons entitled to the Company's records and documents are furnished with such records and documents without delay;
- (4) to organize the shareholders' general meetings or Board meetings and to prepare various documents in accordance with these Articles of Association;
- (5) to be responsible for the disclosure of information of the Company to the stock exchange within the PRC and to ensure that the information disclosed by the Company is timely, accurate, legal, truthful and complete.

The major responsibilities of the Board Secretary who is responsible for the Hong Kong affairs are, after obtaining the relevant authorization from the Board:

- (1) to declare and file relevant information and documents of the Company in accordance with the relevant laws and regulations of Hong Kong, the listing rules of the Hong Kong Stock Exchange and the requirements of the Hong Kong Securities and Futures Commission;
- (2) to disclose the information of the Company to the public in accordance with the listing rules of the Hong Kong Stock Exchange and the requirements of the Hong Kong Securities and Futures Commission;
- (3) to file relevant documents of the Company with the Hong Kong Companies Registry.

Article 11.3 The Board Secretary shall be a natural person who has the requisite professional knowledge and experience. The Board Secretary shall be nominated by the Chairman, and shall be appointed or removed by the Board.

The Board Secretary shall be served by one (1) or two (2) natural person(s). In case two (2) natural persons serve as the Board Secretaries, they shall be jointly responsible for the duties of the

Board Secretary; and any one of them can solely exercise all powers of the Board Secretary externally or with the Board's authorization.

Article 11.4 A Director or other senior officer (other than supervisors) of the Company may act as the Board Secretary concurrently. The accountants in the Accounting Firm and lawyers in the law firm which have been engaged by the Company shall not act as the Board Secretary concurrently.

Where the office of Board Secretary is held concurrently by a Director, and an act is required to be done by a Director and a Board Secretary separately, the person who holds the office of Director and Board Secretary shall not perform the act in a dual capacity.

Article 11.5 The qualification for and the duties of Board Secretary shall also comply with those requirements of Board Secretary stipulated in the listing rules of the stock exchange on which the Company's shares are listed.

Article 11.6 The Company shall actively establish a sound work system for investor relationship management and to actively reinforce the communication and interaction with shareholders, in particular the public shareholders, via different means. The Board Secretary shall be mainly responsible for investor relationship management.

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

Article 12.1 The Company shall have a general manager and several deputy general managers who shall be appointed or removed by the Board. The deputy general managers shall assist the work of the general manager.

Directors can be concurrently appointed as the general manager, deputy general manager or other senior officers; however the number of Directors concurrently serving as general manager, deputy general manager or other senior officers shall not exceed one-half of the number of Directors.

Article 12.2 A person shall not act as a general manager of the Company if there is any circumstance as prescribed by Article 147 or Article 149 of the Company Law. Moreover, a person shall not act as a general manager of the Company if he has been prohibited from entering into the market by China Securities Regulatory Commission and such prohibition has not been removed.

Article 12.3 The tenure of the general manager and deputy general manager is three (3) years, which is renewable upon re-appointment.

Article 12.4 The general manager shall be accountable to the Board and shall

exercise the following functions and powers:

- (1) to be in charge of the Company's production, operation and management and to organize the implementation of the resolutions of the Board;
- (2) to organize the implementation of the resolutions of the Board, the Company's annual business plan and investment proposal;
- (3) to draft plans for the establishment of the Company's internal management structure;
- (4) to draft the Company's basic management system;
- (5) to formulate basic rules and regulations for the Company;
- (6) to propose to the Board the appointment or dismissal of the Company's deputy general managers and person in charge of finance;
- (7) to appoint or dismiss management personnel other than those required to be appointed or dismissed by the Board;
- (8) to draw up wages, benefits, awards and penalty for the Company's employees, as well as to decide the appointment and dismissal of the employees of the Company;
- (9) to request the convening of an extraordinary meeting of the Board;
- (10) other functions and powers conferred by these Articles of Association and the Board.

Article 12.5 The general manager shall, upon request of the Board or the supervisory committee, report to the Board or the supervisory committee on the signing and implementation of the Company's material contracts, usage of capital and profit and loss. The general manager shall ensure the authenticity of such reports.

Article 12.6 Before drawing up matters concerning employees' direct interests, such as employees' wages, benefits, safety of production and labour, labour insurance, and removal (or dismissal) of employees, the general manager should consult the labour union and the meeting of employee representatives.

Article 12.7 The general manager shall formulate working rules of general

manager which shall be implemented after the same is submitted to and approved by the Board.

Article 12.8 The general manager's working rules shall include the following:

- (1) conditions and procedures for holding a general manager's meeting, as well as the participants;
- (2) specific duties and division of work among the general manager, the deputy general managers and other senior officers respectively;
- (3) the Company's usage of funds and assets, limitation on the authority for signing of material contracts and the reporting system to the Board and the supervisory committee;
- (4) other matters which the Board considers necessary.

Article 12.9 The general manager, while exercising their functions and powers, shall act honestly and diligently in accordance with the laws, administrative regulations and these Articles of Association.

Article 12.10 The general manager, deputy general managers and other senior officers shall give the Board written notice three (3) months prior to their resignation.

### **Chapter 13 Supervisory Committee**

Article 13.1 The Company shall have a supervisory committee.

Article 13.2 The supervisory committee shall consist of three (3) members. The exact number of supervisors shall be determined by the shareholders' general meeting and one (1) member shall be the chairman of the supervisory committee. Where the chairman of the supervisory committee is unable to or does not perform his duty, a supervisor nominated by one-half or more of the supervisors shall convene and chair the supervisors' meeting. The removal of the chairman of the supervisory committee shall be passed by two-thirds or more of the members of the supervisory committee. The tenure of a supervisor is three (3) years, which is renewable upon re-election.

If an appointment is not made in time upon the expiry of the tenure of a supervisor, or if the number of members of the supervisory committee falls below the minimum prescribed by law due to the resignation of a supervisor during his tenure, the incumbent supervisors shall continue to perform the duties of a supervisor in accordance with the laws, administrative regulations and these Articles of Association before a new supervisor is elected.

Article 13.3 The supervisory committee shall comprise two shareholders' representatives and one representative of the employees of the Company. The shareholders' representatives shall be elected and removed at the shareholders' general meeting, and the employees' representative shall be democratically elected and removed by the employees of the Company. Members of the supervisory committee shall possess relevant expertise or work experience required for acting as supervisors.

The cumulative voting system shall be adopted for the election of supervisors who are shareholders' representatives. The requirements in regard to the cumulative voting system adopted for the election of Directors under Article 10.3 shall also be applicable to the election of supervisors who are shareholders' representatives.

Article 13.4 The new supervisors shall, within one (1) month after his appointment passed by the shareholders' general meeting or the meeting of employee representatives, sign a "Declaration and Undertaking of Supervisor" which shall be filed with the Company's supervisory committee and the stock exchange on which the Company's shares are listed for record.

Article 13.5 Directors, managers and other senior officers of the Company shall not act concurrently as supervisors.

Article 13.6 Meetings of supervisory committee shall be held at least twice a year and shall be convened by the chairman of the supervisory committee.

Article 13.7 The supervisory committee shall be accountable to the shareholders' general meeting and shall exercise the following functions and powers in accordance with law:

- (1) to inspect the Company's financial position;
- (2) to supervise the Directors, managers and senior officers to ensure that they have not contravened any law, administrative regulation and these Articles of Association while performing their duties;
- (3) to demand any Director, manager or other senior officer who acts in a manner which is harmful to the Company's interest to rectify such behaviour;
- (4) to represent the Company in negotiation with, or in bringing action, against a Director;
- (5) to check the financial information such as the financial report, business report and plans for distribution of profits

to be submitted by the Board to the shareholders' general meetings and to engage, in the Company's name, certified public accountants and practising auditors to assist in the re-examination of such information should any doubt arise in respect thereof;

- (6) to propose to hold a shareholders' extraordinary general meeting;
- (7) to exercise other functions and powers conferred by these Articles of Association.

Supervisors are entitled to attend Board meetings.

Article 13.8 Resolutions of the supervisory committee shall be passed by two-thirds or more of the members of the supervisory committee.

Article 13.9 All reasonable fees incurred in respect of the engagement of professionals (such as, lawyers, certified public accountants or practising auditors) which are required by the supervisory committee in the exercise of its functions and powers shall be borne by the Company.

Article 13.10 The supervisors shall perform their duties of supervision honestly and faithfully in accordance with the laws, administrative regulations and these Articles of Association.

#### **Chapter 14 The Qualifications and Duties of Directors, Supervisors, Managers and Other Senior Officers of the Company**

Article 14.1 A person shall not serve as a Director, supervisor, manager or senior officer of the Company if any of the following circumstances apply:

- (1) a person who does not have or who has limited capacity for civil conduct;
- (2) a person who has been sentenced for corruption, bribery, infringement of property or misappropriation of property or other crimes which destroy social economic order, where less than a term of five (5) years has lapsed since the sentence was served, or a person who has been deprived of his political rights and not more than five (5) years have lapsed since the sentence was served;
- (3) a person who was a director, factory manager or manager of a company or enterprise which has been put into insolvent liquidation as a result of mismanagement and who was personally liable for the insolvency of such company or enterprise, where less than three (3) years



have elapsed since the date of completion of the insolvent liquidation of the company or enterprise;

- (4) a person who was a legal representative of a company or enterprise the business licence of which was revoked due to violation of law and who was personally liable therefor, where less than three (3) years have elapsed since the date of the revocation of the business licence of such company or enterprise;
- (5) a person who has a relatively large amount of debts which have become overdue;
- (6) a person who is currently under investigation by judicial organs for violation of criminal law which has not been concluded;
- (7) a person who, according to the laws and administrative regulations, cannot act as a leader of an enterprise;
- (8) a person other than a natural person;
- (9) a person who has been convicted by the competent authority for violation of relevant securities regulations and such conviction involves a finding that such person has acted fraudulently or dishonestly, where not more than five (5) years have lapsed from the date of such conviction;
- (10) there exists a circumstance prescribed by Article 147 or Article 149 of the Company Law, or a person who has been prohibited from entering into the market by China Securities Regulatory Commission and such prohibition has not been lifted, or a person who has been declared by a stock exchange as an unsuitable candidate in less than 2 years.

Article 14.2     The validity of an act carried out by the Director, manager and other senior officer of the Company on its behalf shall, as against a bona fide third party, not be affected by any irregularity in his office, election or any defect in his qualification.

Article 14.3     In addition to the obligations imposed by the laws, administrative regulations or the listing rules of the stock exchange on which the Company's shares are listed, the Directors, supervisors, managers and other senior officers of the Company owe a duty to each shareholder in the exercise of the functions and powers the Company has entrusted to them:

- (1) not to cause the Company to operate in a way beyond the

business scope stipulated in its business licence;

- (2) to act honestly and in the best interests of the Company;
- (3) not to expropriate the Company's assets in any way, including (without limitation) usurpation of opportunities advantageous to the Company;
- (4) not to expropriate the individual rights of shareholders, including (without limitation) rights to distribution and voting rights, save and except pursuant to a restructuring of the Company which has been submitted to the shareholders' general meeting for approval in accordance with these Articles of Association.

Article 14.4 Each of the Directors, supervisors, managers and other senior officers of the Company owes a duty, in the exercise of his powers and in the discharge of his duties, to exercise care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

Article 14.5 Each of the Directors, supervisors, managers and other senior officers shall perform his duties in accordance with the fiduciary principle and shall not put himself in a position where his interest and his obligation may conflict. This principle includes (without limitation) discharging the following obligations:

- (1) to act honestly in the best interests of the Company;
- (2) to act within the scope of his powers and not to exceed such powers;
- (3) to exercise the discretion vested in him personally and not to allow himself to act under the control of another and, unless and to the extent permitted by the laws, administrative regulations or with the informed consent of shareholders given in a shareholders' general meeting, not to delegate the exercise of his discretion;
- (4) to treat shareholders of the same class equally and to treat shareholders of different classes fairly;
- (5) unless otherwise provided for in these Articles of Association or except with the informed consent of the shareholders given in a shareholders' general meeting, not to enter into any contract, transaction or arrangement with the Company;
- (6) not to use the Company's assets for his own benefit without the informed consent of the shareholders given in

a shareholders' general meeting;

- (7) not to exploit his position to accept bribes or other illegal income or expropriate the Company's assets in any way, including (without limitation) opportunities advantageous to the Company;
- (8) not to accept commissions in connection with the Company's transactions without the informed consent of the shareholders given in a shareholders' general meeting;
- (9) to comply with these Articles of Association, to perform his duties faithfully, to protect the Company's interests and not to exploit his position and power in the Company to advance his own interests;
- (10) not to compete in any way with the Company without the informed consent of the shareholders given in a shareholders' general meeting;
- (11) not to misappropriate or lend the funds of the Company to others; not to deposit the Company's assets in an account which is set up under his own name or jointly with others; not to use the Company's assets to provide guarantee for the debts owed by the Company's shareholders or other individuals;
- (12) not to release any confidential information of the Company which he has obtained during his term of office without the informed consent of the shareholders in a shareholders' general meeting; nor shall he use such information otherwise than for the Company's benefit, save that disclosure of such information to the court or other governmental authorities is permitted if:
  - (a) it is required by law;
  - (b) public interests so require;
  - (c) the interests of such Directors, supervisors, managers or other senior officers so require.

Article 14.6 Each Director, supervisor, manager and other senior officer of the Company shall not direct the following persons or (hereinafter below referred to as "associates") to do acts which entities he is prohibited from so doing:

- (1) the spouse or minor child of the Director, supervisor, manager or other senior officer of the Company;

- (2) the trustee of the Director, supervisor, manager or other senior officer of the Company or of any person described in sub-paragraph (1) above;
- (3) the partner of the Director, supervisor, manager or other senior officer or of any person referred to in sub-paragraphs (1) and (2) above;
- (4) a company in which the Director, supervisor, manager or other senior officer of the Company, whether alone or jointly with one (1) or more of the persons referred to in sub-paragraphs (1), (2) and (3) above or with other Director, supervisor, manager and other senior officer, has / have de facto control;
- (5) the directors, supervisors, managers and other senior officers of a company which is being controlled in the manner set out in sub-paragraph (4) above.

Article 14.7      The fiduciary duties of the Directors, supervisors, managers and other senior officers of the Company may not necessarily be discharged at the end of their tenure. The duty of confidentiality in respect of the trade secrets of the Company survives the termination of their tenure. Other duties may continue for such period as the principle of fairness may require depending on the length of time which has lapsed between the termination of their tenure and the occurrence of the act concerned and the circumstances and the terms under which their relationship with the Company was terminated.

Article 14.8      Except under the circumstances as provided by Article 7.6 herein, a Director, supervisor, manager or other senior officer of the Company may be relieved of liability for breaches of certain specific duty with the informed consent of the shareholders given at a shareholders' general meeting.

Article 14.9      Where a Director, supervisor, manager or other senior officer of the Company is in any way, directly or indirectly, materially interested in a contract, transaction or arrangement which has been entered into by the Company or which is in contemplation (other than his contract of service with the Company), he shall declare the nature and extent of his interest to the Board as soon as possible, whether or not such matter is otherwise subject to the approval of the Board under normal circumstances.

Unless the interested Director, supervisor, manager or other senior officer discloses his interests to the Board in accordance with the preceding sub-paragraph of this Article and the contract, transaction or arrangement is approved by the Board at a meeting in which the interested Director, supervisor, manager or other senior officer has not been counted as part of the quorum and has abstained from

voting, such contract, transaction or arrangement is materially interested is voidable at the instance of the Company except as against a bona fide party thereto who does not have notice of the breach of duty by the interested Director, supervisor, manager or other senior officer.

A Director, supervisor, manager or other senior officer of the Company is deemed to be interested in a contract, transaction or arrangement in which his associate is interested.

Article 14.10 If a Director, supervisor, manager or other senior officer of the Company has given the Board a notice in writing stating that, by reason of the facts specified in the notice, he is interested in the contract, transaction or arrangement which may subsequently be made by the Company, that notice shall be deemed to be a sufficient declaration of his interests stipulated under Article 14.09 herein so far as the content stated in such notice is concerned, provided that such notice has been given before the entering into the relevant contract, transaction or arrangement is first taken into consideration by the Company.

Article 14.11 The Company shall not pay taxes for its Directors, supervisors, managers or other senior officers in any manner.

Article 14.12 The Company shall not directly or indirectly make a loan to or provide any guarantee in connection with the making of a loan to a director, supervisor, manager or other senior officer of the Company or of the Company's holding company or any of their respective associates.

The foregoing prohibition shall not apply in the following circumstances:

- (1) the provision by the Company of a loan or a guarantee in connection with the making of a loan to its subsidiary;
- (2) the provision by the Company of a loan or a guarantee in connection with the making of a loan or making any other funds available to any of its Directors, supervisors, managers and other senior officers to meet the expenditure incurred by him for the purpose of the Company or for the purpose of enabling him to perform his duties in accordance with the terms of the service contract approved by the shareholders in a shareholders' general meeting;
- (3) if the ordinary course of business of the Company includes the lending of money or the giving of guarantees, the Company may make a loan to or provide a guarantee in connection with the making of a loan to any of the relevant Directors, supervisors, managers and other senior officers

or their respective associates in the ordinary course of its business on normal commercial terms.

Article 14.13 Any fund received by a person from the Company who has made the loan in breach of the requirements stipulated in the preceding Article hereof shall immediately return such fund regardless of the terms of the loan.

Article 14.14 A guarantee for the repayment of a loan which has been provided by the Company acting in breach of Article 14.12(1) herein shall not be enforceable against the Company, save in respect of the following circumstances:

- (1) the loan was made to an associate of the directors, supervisors, managers and other senior officers of the Company or of the Company's holding company and the lender did not know of the relevant circumstances at the time of the making of the loan;
- (2) the collateral provided by the Company has already been lawfully disposed of by the lender to a bona fide purchaser.

Article 14.15 For the purpose of Article 14.14 herein, a "guarantee" includes an undertaking or property provided by the guarantor to secure the obligor's performance of his obligations.

Article 14.16 Where a Director, supervisor, manager or other senior officer of the Company breaches the duties which he owes to the Company, the Company has, in addition to any rights and remedies provided by the laws and administrative regulations, the right:

- (1) to demand such Director, supervisor, manager or senior officer to compensate for losses sustained by the Company as a result of such breach;
- (2) to rescind any contract or transaction which has been entered into between the Company and such Director, supervisor, manager or other senior officer or between the Company and a third party (where such third party knows or should have known that such Director, supervisor, manager or other senior officer representing the Company has breached his duties owed to the Company);
- (3) to demand the relevant Director, supervisor, manager or other senior officer to account for profits made as result of the breach of his duties;
- (4) to recover any monies received by such Director, supervisor, manager or other senior officer which should have been received by the Company instead, including

(without limitation) commissions;

- (5) to demand repayment of interest earned or which may be earned by such Director, supervisor, manager or senior officer on monies that should have been paid to the Company;
- (6) to initiate legal proceedings to obtain judgments that the assets obtained by such Director, supervisor, manager or other senior officer as a result of his breach of duties owed to the Company belong to the Company if such assets should belong to the Company.

Article 14.17 The Company shall, with the prior approval of shareholders in a shareholders' general meeting, enter into a contract in writing with a Director or supervisor wherein his emoluments are stipulated. The aforesaid emoluments include:

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

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

Article 14.18 The contract concerning the emoluments between the Company and its Directors and supervisors should provide that in the event that the Company is to be acquired, Directors and supervisors of the Company shall, subject to the prior approval of shareholders in a shareholders' general meeting, have the right to receive compensation or other payments in respect of his loss of office or retirement.

The "acquisition of the Company" referred to in the preceding paragraph includes any of the following:

- (1) an offer made by any person to all the shareholders;
- (2) an offer made by any person with a view that the offeror

will become a “controlling shareholder” within the meaning of Article 7.8 herein.

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

## **Chapter 15      Financial and Accounting Systems and Profit Distribution**

Article 15.1      The Company shall establish its financial and accounting systems in accordance with the laws, administrative regulations and the PRC accounting standards formulated by the finance department of the State Council.

Article 15.2      The Company shall publish four financial reports in every accounting year, that is, an interim financial report shall be published within two months after the end of the first six months of every accounting year; an annual financial report shall be published within four months after the end of the accounting year; and quarterly financial accounting reports shall be submitted to the branch organs of China Securities Regulatory Commission and the stock exchange within one month from the end of the first three months and first nine months of every accounting year.

The above financial reports shall be prepared in accordance with the China Accounting Standards for Business Enterprises and the relevant guidelines and standards issued by the regulatory authorities.

Article 15.3      The Company uses the Gregorian calendar year as the accounting year, that is, an accounting year starts on 1 January every year and ends on 31 December every year on the Gregorian calendar. The Company uses RMB as currency unit for accounting.

Article 15.4      The Board shall place before the shareholders at every shareholders’ annual general meeting such financial reports as are required by the relevant laws, administrative regulations and directives promulgated by the local governments and competent departments to be prepared by the Company.

Article 15.5      The financial report of the Company shall be made available for shareholders’ inspection at the Company’s office twenty (20) days before the date of the shareholders’ annual general meeting. Each shareholder of the Company is entitled to obtain the financial report referred to in these Articles of Association.



The Company shall send to each holder of overseas-listed foreign shares (including but not limited to holders of H shares) a copy of the financial report, together with the balance sheet (including all accompanying documents that are required according to the laws and administrative regulations of the PRC) and profit and loss statement or income and expenditure statement (including the aforesaid report) by prepaid post, or by electronic communication (including but not limited to publication of an announcement on the Company's website and the website of the Hong Kong Stock Exchange). The financial report shall be served or sent to each shareholder not later than twenty one (21) days before the shareholders' annual general meeting at their respective addresses registered in the register of shareholders.

Article 15.6 The financial statements of the Company shall be prepared in accordance with the China Accounting Standards for Business Enterprises and the relevant guidelines and standards issued by the regulatory authorities.

Article 15.7 Any interim results or financial information published or disclosed by the Company shall be prepared in accordance with the China Accounting Standards for Business Enterprises and the relevant guidelines and standards issued by the regulatory authorities.

Article 15.8 The Company shall not keep accounts other than those required by law.

Article 15.9 After completion of the Company's interim financial report and annual financial report, formalities shall be proceeded with and announcement shall be made in accordance with the relevant securities laws and regulations of the PRC and the requirements of the stock exchange on which the Company's shares are listed.

Article 15.10 The Company's after-tax profits shall be distributed in accordance with the following order:

- (1) making up for losses;
- (2) allocation to the statutory common reserve fund;
- (3) allocation to the statutory common welfare fund;
- (4) allocation to the discretionary common reserve fund;
- (5) payment of dividends in respect of Ordinary Shares.

The actual distribution proportion of items (4) and (5) of this Article in a particular year shall be determined by the Board based on the operation and the development needs, and shall be approved by the shareholders' general meeting.

- Article 15.11 No dividends shall be distributed before the Company has made up for its losses and made allocations to the statutory common reserve fund and the statutory welfare reserve fund.
- Article 15.12 10% of the after-tax profits shall be allocated to the statutory common reserve fund. No further allocation to the statutory common reserve fund is required where the cumulative amount of such fund reaches 50% of the registered capital of the Company.
- Article 15.13 The Company shall allocate 5% to 10% of the after-tax profits to the statutory common welfare fund.
- Article 15.14 Upon the approval of the shareholders in general meeting, the Company may make allocation to the discretionary common reserve fund out of the profits of the Company after allocation has been made to the statutory common reserve fund.
- Article 15.15 Capital common reserve fund includes the following items:
- (1) premium above the par value for shares issued at a premium price;
  - (2) any other income designated for the capital common reserve fund by the regulations of the finance department of the State Council.
- Article 15.16 The common reserve fund of the Company shall be applied for the following purposes:
- (1) to make up for losses;
  - (2) to expand the Company's production and operation;
  - (3) to be converted into share capital.
- The Company may convert its common reserve fund into share capital with the approval of shareholders in a shareholders' general meeting, and the Company shall either distribute new shares in proportion to the existing number of shares held by the shareholders, or to increase the par value of each share. However, when the statutory common reserve fund is converted to share capital, the balance of the statutory common reserve fund shall not fall below 25% of the registered capital of the Company.
- Article 15.17 The statutory welfare reserve fund shall be used for the collective welfare of the Company's employees.
- Article 15.18 Subject to the restrictions stipulated by Articles 15.11, 15.12 and 15.14 herein, the final dividends shall be distributed in proportion to

the shareholding of the shareholders within six (6) months after the end of the accounting year.

Article 15.19 The profit distribution policies and decision-making process for profit distribution proposal of the Company :

The profit distribution policies of the Company :

(1) The profit distribution of the Company shall focus on giving reasonable investment return to its investors. The profit distribution policies shall maintain continuity and stability, and shall not be adjusted at will to lower the level of return to shareholders once such policies have been confirmed.

(2) Form, condition and proportion of profit distribution of the Company:

(a) The Company may distribute dividends in cash, in shares or in a combination of both cash and shares.

(b) In distributing dividends in cash, the Company shall also meet the following conditions:

(I) the distributable profits of the Company for the year (i.e. the profits after tax of the Company after making up for losses and making allocations to the statutory common reserve fund and the statutory welfare reserve fund) shall be a positive figure;

(II) the auditing firm shall issue a standard unqualified audit report on the financial report of the Company for the year;

(III) the cash flows of the Company shall meet the normal operation and long-term development of the Company.

(c) In principle, the dividends distributed by the Company in cash in the year shall not be less than 10% of the distributable profits realized in the year, and the accumulated profits distributed by the Company in cash in the last three years shall not be less than thirty percent of the average annual distributable profits realized in the last three years. The remaining distributable profits shall be used to support the sustainable development of the Company.

- (d) Conditions for distributing dividends in shares: Under the prerequisite of ensuring reasonable share capital size and shareholding structure, the Company may distribute dividends in shares when the valuation of its shares is within a reasonable range, in order to provide return to its shareholders and share its corporate value.
  - (e) The profits distributed by the Company shall not exceed the accumulated distributable profits.
- (3) In the event that the Company realizes distributable profits, the Company may distribute interim cash dividends or distribute dividends in shares based on its profitability and capital requirements.
- (4) Adjustment process of profit distribution policies:
- (a) If the Company needs to adjust its profit distribution policies due to significant changes in external operating environment or its own operation, it shall consider from the perspective of the protection of shareholders' interests, discuss in details and explain the reasons therefor. The board of directors of the Company shall put forward a proposal for adjusting the profit distribution policies, and the independent Directors and the supervisory committee shall issue examination opinions in this regard. The proposal shall be submitted to the shareholders' general meeting for the passing by the shareholders (including proxies) with voting rights representing two-thirds or more of the voting rights present at the meeting.
  - (b) The opinions of the independent Directors and general public shareholders shall be given due consideration in the course of discussion, formulation and amendment to the profit distribution policies of the Company. The Company shall hear the opinions of shareholders on its profit distribution policies through investor telephone consultation, on-site survey and investor interactive platform, etc.

Decision-making process for profit distribution proposal:

- (1) In the event that the Company realizes distributable profits, the board of directors of the Company shall propose a reasonable dividend distribution recommendation and plan based on the profitability,

capital requirements and shareholders' return plan of the Company. In determining and formulating profit distribution proposal, the Board shall record in details the suggestions of the management, the key points raised by the attending Directors, the opinions of the independent Directors and the votes cast by the Board. The resulting written record shall be properly kept as the record of the Company.

- (2) The profit distribution proposal proposed by the Board shall be passed by majority votes of the Board. The independent Directors shall examine the profit distribution proposal and issue independent opinions thereon. The supervisory committee shall examine and supervise the profit distribution proposal proposed by the Board and the decision-making process and issue examination opinions thereon. Upon the consideration and approval by the Board, the profit distribution proposal shall be submitted to the shareholders' general meeting for consideration and approval. When announcing the resolutions of the Board, the examination opinions of the independent Directors and the supervisory committee shall also be disclosed.
- (3) If the board of directors of the Company does not propose any proposal for profit distribution in cash, or if the proportion of cash dividends in the proposed cash dividend proposal is lower than the proportion as provided in these Articles of Association, the Company shall disclose in its periodic report the reasons for failing to distribute dividends or the reasons why the proportion of cash dividends in the proposed cash dividend proposal is lower than the proportion as provided in these Articles of Association, and the use of the undistributed funds retained by the Company. The independent Directors shall issue independent opinions in this regard, and the supervisory committee shall issue examination opinions in this regard.
- (4) The shareholders' general meeting shall vote on the profit distribution proposal proposed by the Board. The Company shall effectively protect the rights of its general public shareholders to participate in shareholders' general meeting. The Board, the independent Directors and shareholders who meet certain conditions may solicit from the Company's shareholders votes which may be cast by them at the shareholders' general meeting. When the profit

distribution proposal is considered at the shareholders' general meeting, different channels should be used to communicate and interact with shareholders, in particular, the medium and small shareholders, and their opinions and requests should be fully heard, and their concern should be addressed in a timely manner. In the event that the Company realizes distributable profits, but the Board fails to propose any cash dividend proposal, the Company shall provide an online voting platform to its shareholders, apart from the on-site meeting, when convening shareholders' general meeting.

- (5) Upon occurrence of any illegal appropriation of the Company's funds by shareholders, the Company shall deduct the cash dividends to be paid to such shareholders to make up for the funds appropriated by such shareholders.

Article 15.20 When the Company distributes dividends to its shareholders, it shall withhold such amount for tax payable by the shareholders on their dividend income in accordance with the tax law of the PRC.

Article 15.21 The Board may decide on the proposal for distribution of interim dividends or special dividends of the Company if authorized by the shareholders' general meeting.

Article 15.22 The cash dividends and other distributions for domestic shares shall be payable in RMB. The cash dividends and other distributions for H shares shall be declared in RMB and shall be payable in Hong Kong Dollars in accordance with the foreign exchange control requirements of the State.

Article 15.23 The Company shall appoint receiving agents for holders of the overseas-listed foreign shares. Such receiving agents shall receive dividends which have been declared by the Company and all other amounts payable by the Company to holders of overseas-listed foreign shares on such shareholders' behalf.

The receiving agents appointed by the Company shall meet the relevant requirements of the laws of the place where the Company's shares are listed or the relevant requirements of the stock exchange.

The receiving agent appointed for holders of H shares listed on the Hong Kong Stock Exchange shall be a company registered as a trust company under the Trustee Ordinance of Hong Kong.

## **Chapter 16 Appointment of Accounting Firm**

- Article 16.1 The Company shall appoint an independent Accounting Firm which is qualified under the relevant regulations of the State to audit the Company's annual report and review the other financial reports of the Company.
- Article 16.2 The Accounting Firm appointed by the Company shall hold office from the conclusion of the shareholders' annual general meeting at which it is appointed until the conclusion of the next shareholders' annual general meeting.
- Article 16.3 The Accounting Firm appointed by the Company shall enjoy the following rights:
- (1) the right to inspect the books, records and vouchers of the Company at any time, and the right to require the Directors, managers or other senior officers of the Company to supply relevant information and explanations;
  - (2) the right to require the Company to take all reasonable steps to obtain from its subsidiaries such information and explanation as are necessary for the discharge of the duties of the Accounting Firm;
  - (3) the right to attend shareholders' general meetings and to receive all notices and other information relating to the meetings which any shareholder is entitled to receive, and the right to express its views in any shareholders' general meeting in relation to matters concerning its role as the Accounting Firm of the Company.
- Article 16.4 If there is a vacancy in the position of Accounting Firm, the Board may appoint another Accounting Firm to fill such vacancy before the convening of the shareholders' general meeting. Any other Accountancy Firm which has been appointed by the Company may continue to act during the period in which a vacancy arises.
- Article 16.5 The shareholders in a shareholders' general meeting may by ordinary resolution remove the Accounting Firm before the expiration of its term of office, irrespective of the provisions in the contract between the Company and the Accounting Firm. The Accounting Firm's right (if any) to claim for damages which arise from its removal shall not be affected thereby.
- Article 16.6 The remuneration of an Accountancy Firm or the manner according to which the Accounting Firm's remuneration is to be decided shall be determined by the shareholders in a shareholders' general meeting. The remuneration of an Accounting Firm appointed by the Board shall be determined by the Board.

Article 16.7 The Company's appointment, removal or non-reappointment of an Accounting Firm shall be resolved by the shareholders in a shareholders' general meeting, and shall be filed with the securities governing authorities of the State Council.

Article 16.8 Where a resolution is proposed to be passed at a shareholders' general meeting concerning the appointment of an Accounting Firm which is not an incumbent Accounting Firm to fill a casual vacancy in the office of Accounting Firm, the reappointment of a retiring Accounting Firm which was appointed by the Board for the purpose of filling a casual vacancy or the removal of an Accounting Firm before the expiration of its term of office, the following provisions shall apply:

- (1) A copy of the proposal about the appointment or removal shall be sent (before the notice of the shareholders' general meeting is given to the shareholders) to the Accounting Firm proposed to be appointed or proposing to leave its position or the Accounting Firm which has left its position in the relevant fiscal year.

Leaving includes leaving by removal, resignation and retirement.

- (2) If the Accounting Firm leaving its position makes representations in writing and requests the Company to give the shareholders notice of such representations, the Company shall (unless the Company has received such representations too late) take the following measures:

- (a) in any notice given to the shareholders in relation to the adoption of the resolution, to state the fact that such representations have been made by the Accounting Firm leaving its position;

- (b) attach a copy of such representations to the notice and deliver it to the shareholders in the manner stipulated in these Articles of Association.

- (3) If the Company fails to send out the Accounting Firm's representations in the manner set out in sub-paragraph (2) above, such Accounting Firm may (in addition to his right to be heard) require such representations be read at the shareholders' general meeting.

- (4) An Accounting Firm which is leaving its position shall be entitled to attend the following shareholders' general meetings:



- (a) the general meeting at which its term of office would otherwise have expired;
- (b) the general meeting at which it is proposed to fill the vacancy caused by its removal;
- (c) the general meeting which is convened on its resignation.

An Accounting Firm which is leaving its position shall be entitled to receive all notices of the aforementioned shareholders' general meetings and other communications related to any such meeting, and shall have the right to speak at any such meeting which it attends on any matter which concerns it as the former Accounting Firm of the Company.

Article 16.9 Prior notice should be given to the Accounting Firm if the Company decides to remove such Accounting Firm or not to renew its appointment thereof. Such Accounting Firm shall be entitled to make representations at the shareholders' general meeting. Where the Accountancy Firm resigns from its position, it shall make it clear to the shareholders in a shareholders' general meeting whether there has been any impropriety on the part of the Company.

Article 16.10 An Accountancy Firm may resign from its position by depositing at the Company's office a resignation notice which shall become effective on the date on which it is deposited or on such later date as may be stipulated in such notice. Such notice shall contain the following statements:

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

Article 16.11 The Company shall submit a copy of the written notice as referred to in Article 16.10(2) herein to the governing authorities within fourteen (14) days upon the receipt of such notice. In the event that the representations referred to in Article 16.10(2) herein is set forth in the notice, a copy of such statement shall be kept at the Company's office and made available for shareholders' inspection, and the Company shall deliver a copy of the aforementioned statement to every holder of overseas-listed foreign shares by prepaid post at their respective addresses which appeared in the register of shareholders or by means of electronic communication (including but not limited to publication of an announcement on the Company's websites and the website of the Hong Kong Stock

Exchange).

- Article 16.12 Where the Accounting Firm's notice of resignation contains a representation referred to in Article 16.10(2) herein, it may require the Board to convene a shareholders' extraordinary general meeting for the purpose of receiving an explanation about the relevant circumstances connected with its resignation.

## **Chapter 17 Insurance**

- Article 17.1 The various types of insurance of the Company shall be purchased from insurance companies which are registered in the PRC and are permitted to provide insurance services to PRC companies under the laws of the PRC.
- Article 17.2 The type of insurance, the insured amounts, the period of coverage and other provisions of the insurance shall be determined by the Board based on the practices of companies in similar industries in other countries and the usual practice and legal requirements in the PRC.

## **Chapter 18 Labour Management**

- Article 18.1 The Company shall formulate labour management, human resources management, payroll and welfare and social security systems in accordance with the laws, rules and administrative regulations of the PRC.
- Article 18.2 The Company shall hire the management personnel of different levels by appointment and the common employees by contract. The Company may determine the allocation of human resources at its own discretion. It is also entitled to hire management personnel and other employees on its own, and to lay off the same in accordance with the laws and regulations and the contract provisions.
- Article 18.3 The Company is entitled to, within the scope regulated by the administrative regulations, determine the payroll and fringe benefits of management personnel of different levels and different employees in accordance with its own economic efficiency.
- Article 18.4 Subject to the relevant administrative regulations of the PRC government and regional governments, the Company shall arrange medical, retirement and unemployment insurance for its management personnel and employees and shall execute the laws, rules and relevant requirements of labour insurance regarding retirement and unemployment of employees.

## **Chapter 19      Labour Unions**

Article 19.1    The Company's employees may form labour unions and carry out labour union activities in accordance with the Labour Union Law of the PRC.

Unless otherwise required by the Board, the labour union activities must be carried out outside normal business hours.

## **Chapter 20      Merger and Division of the Company**

Article 20.1    Any resolution on merger or division of the Company shall be proposed by the Board, and the relevant examination and approval procedures shall be completed in accordance with law after being approved pursuant to the procedures stipulated in these Articles of Association. Any shareholder opposing the proposal on merger or division of the Company shall have the right to request the Company or those shareholders who consent to such proposal to purchase shares from them at a fair price. The contents of the resolution of merger or division of the Company shall constitute a special document which shall be made available for shareholders' inspection.

For holders of H shares, the aforesaid document shall also be delivered by post or by means of electronic communication (including but not limited to publication of an announcement on the Company's websites and the website of the Hong Kong Stock Exchange).

Article 20.2    The merger of the Company may take the form of either merger by absorption or merger by the establishment of a new company.

In the case of a merger, all parties to the merger shall execute a merger agreement and prepare a balance sheet and an inventory of assets. The Company shall notify its creditors within ten (10) days from the date when the resolution for the merger is passed and publish an announcement in newspaper(s) for at least three (3) times within thirty (30) days from the date when the resolution for the merger is passed.

After the merger, the rights of the parties to the merger and their indebtedness shall be assumed by the company which survives the merger or the newly established company.

Article 20.3    Where there is a division of the Company, its assets shall be divided accordingly.

In the case of a division, all parties to the division shall execute a separation agreement and prepare a balance sheet and an inventory of assets. The Company shall notify its creditors within ten (10) days from the date when the resolution for the division is passed and

publish an announcement in a newspaper for at least three (3) times within thirty (30) days from the date when the resolution for the division is passed.

Debts of the Company prior to division shall be assumed by the companies which exist after the division according to the agreement concluded.

Article 20.4 The Company shall, in accordance with law, apply for change in its registration with the companies registration authority when there is a change in any item in its registration as a result of the merger or separation of the Company. Where the Company is dissolved, the Company shall apply for its de-registration in accordance with law. Where a new company is established, the Company shall apply for registration thereof in accordance with law.

## **Chapter 21      Dissolution and Liquidation of the Company**

Article 21.1 The Company shall be dissolved and liquidated in accordance with law upon the occurrence of any of the following events:

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

Article 21.2 A liquidation committee shall be set up within fifteen (15) days of the Company's dissolution pursuant to Article 21.1(1) herein, and the composition of the liquidation committee of the Company shall be determined by an ordinary resolution of shareholders in a shareholders' general meeting.

Where the Company is dissolved under Article 21.1(3) herein, the People's Court shall, in accordance with the requirements of the relevant laws, organize the shareholders, relevant authorities and relevant professional personnel to establish a liquidation committee to carry out the liquidation.

Where the Company is dissolved under Article 21.1(4) herein, the relevant governing authorities shall organize the shareholders, relevant authorities and professional personnel to establish a liquidation committee to carry out the liquidation.

Article 21.3 Where the Board proposes to liquidate the Company for any reason other than the Company's declaration of its own insolvency, the Board shall include a statement in the notice of the shareholders' general meeting convened for this particular purpose to the effect that, after making full inquiry into the affairs of the Company, the Board is of the opinion that the Company will be able to repay its debts in full within twelve (12) months from the commencement of the liquidation.

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

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

Article 21.4 The liquidation committee shall, within ten (10) days of its establishment, inform the creditors and shall, within sixty (60) days of its establishment, publish an announcement in newspaper(s) for at least three (3) times. The liquidation committee shall register the creditors' rights.

Article 21.5 During the liquidation period, the liquidation committee shall exercise the following functions and powers:

- (1) to sort out the Company's assets and prepare a balance sheet and an inventory of assets respectively;
- (2) to inform the creditors or to notify them by way of announcements;
- (3) to dispose of and liquidate any unfinished businesses of the Company;
- (4) to pay all outstanding taxes;
- (5) to settle claims and debts;
- (6) to deal with the surplus assets remaining after the repayment of the Company's debts;
- (7) to represent the Company in any civil proceedings.

Article 21.6 After the liquidation committee has sorted out the Company's assets and prepared the balance sheet and an inventory of assets, it shall

formulate a liquidation plan and present it to the shareholders' general meeting or to the relevant governing authorities for confirmation.

The Company's assets shall be distributed in the following order:

- (1) liquidation expenses;
- (2) wages owed to the employees of the Company and labour insurance costs;
- (3) payment of outstanding taxes;
- (4) repayment of the Company's debts.

Any surplus assets of the Company after the repayment as stipulated in the preceding paragraph shall be distributed to the Company's shareholders according to the proportion of the shares held by them.

During the liquidation period, the Company shall not commence any new operating activity.

Article 21.7 If, after sorting out the Company's assets and preparing a balance sheet and an inventory of assets in connection with the liquidation of the Company, the liquidation committee discovers that the Company's assets are insufficient to repay the Company's debts in full, the liquidation committee shall immediately apply to the People's Court for a declaration of insolvency.

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

Article 21.8 Following the completion of the liquidation, the liquidation committee shall prepare a liquidation report, a statement of income and expenses received and made during the liquidation period and a financial report, which shall be verified by a Chinese registered accountant and shall be submitted to the shareholders' general meeting or the relevant governing authorities for confirmation.

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

## **Chapter 22      Procedures for Amendments of these Articles of Association**

Article 22.1 The Company may amend these Articles of Association in accordance with the requirements of laws, administrative regulations and these

## Articles of Association.

Article 22.2 The procedures to amend these Articles of Association are as follows:

- (1) a Board resolution recommending the shareholders' general meeting to amend these Articles of Association and proposing the amendments shall be passed by the Board in accordance with these Articles of Association;
- (2) the shareholders shall be informed of the proposal of the amendments and a shareholders' general meeting has to be convened to decide on the same;
- (3) the amendments recommended to the shareholders' general meeting shall be passed by way of special resolution, subject to compliance with the relevant requirements of these Articles of Association.

Article 22.3 If the amendments of these Articles of Association relate to the contents of the Mandatory Provisions, such amendments shall become effective upon the approval by the examination and approval authorities for companies authorized by the State Council and the State Council Securities Policy Committee. If the amendments relate to any change in the registered particulars of the Company, application shall be made for change in registration in accordance with the law.

## **Chapter 23      Dispute Resolutions**

Article 23.1 The Company shall abide by the following principles in dispute resolution:

- (1) Whenever any disputes or claims pursuant to the rights and obligations conferred by these Articles of Association, the Company Law, other relevant laws and administrative regulations concerning the affairs of the Company arise between holders of the overseas-listed foreign shares and the Company; holders of the overseas-listed foreign shares and the Directors, supervisors, managers or other senior officers of the Company, or holders of overseas-listed foreign shares and holders of domestic shares, such disputes or claims shall be referred by the relevant parties to arbitration.

Where a dispute or claim referred to in the preceding paragraph is referred to arbitration, the entire dispute or claim must be referred to arbitration, and all persons who have a cause of action based on the same facts giving rise to the dispute or claim or whose participation is necessary

for the resolution of such dispute or claim shall abide by the arbitration if such person is the Company, the shareholders, Directors, supervisors, managers or other senior officers of the Company.

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

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

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

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

## **Chapter 24      Notice**

- Article 24.1      Any notice, written statement or information (including but not limited to annual report, interim report, quarterly report, notice of meeting, listing document, circular to shareholders, proxy form, reply slip and announcement) made by the Company to the holders of H shares holding registered shares shall be served by hand to the holders of H shares at their respective registered address, or sent by post to all the holders of H shares at their respective addresses which appear in the register of shareholders, or delivered by electronic means (including but not limited to publication of an announcement on the Company's website and the website of the Hong Kong Stock Exchange) in compliance with the laws, administrative regulations and relevant requirements of the securities regulatory authorities of the place of listing, or delivered by other means recognized by the securities regulatory authorities at the place where the Company's shares are listed.



Any notice issued by the Company to the holders of its domestic shares shall be published on one or more newspapers designated by the securities regulatory authorities of the State, and all holders of domestic shares shall be deemed to have received such notice.

Article 24.2 Any notice shall be deemed to have been received after twenty four (24) hours upon posting if such notice is delivered by post, provided that the name of the recipient and the address is clearly written, postage fee is pre-paid and the notice is put inside an envelope.

Any notice, document, information or written statement sent by e-mail or facsimile at the e-mail addresses or fax number provided by shareholders to the Company shall be deemed to have been received by the shareholders upon successful delivery.

Notices, documents, information or written statements issued by the Company by way of announcement shall be deemed to have been received by all parties concerned once announced (see below).

Unless the context of these Articles of Association otherwise requires, “announcement” referred to in these Articles of Association shall mean, in relation to announcements to holders of domestic shares or announcements to be published in the PRC as required by the relevant requirements and these Articles of Association, announcements published in the newspapers in the PRC as designated by the PRC laws and regulations or the securities regulatory authorities of the State Council; whereas in relation to announcements to holders of H shares or announcements to be published in Hong Kong as required by the relevant requirements and these Articles of Association, such announcements published in accordance with the requirements of listing rules on the Company’s website, the website of Hong Kong Stock Exchange or other websites as required from time to time by the listing rules.

If the Company issues notices, documents, information or written statements to the shareholders in electronic form other than by way of email, facsimile and publication of announcement on website, subject to the laws, administrative regulations and the relevant requirements of the securities regulatory authorities in the place of listing, such notices, documents, information or written statements of the Company shall be deemed to be served after the electronic data message containing such notices, documents, information or written statements has been entered into the system specified by the shareholders.

Article 24.3 The shareholders or Directors can serve any notice, document, information and written statement to the Company by hand or by registered post to the Company’s registered address.

Article 24.4 In proving that the shareholders or Directors have served the notice,

document, information or written statement within the time prescribed in accordance with the requirements stipulated in Article 24.3 herein, either the confirmation by the Company upon the receipt of such notice, document, information or written notice has to be produced if the same are delivered by hand; or clear evidence showing that the postage has been paid and the mailing address is correct if the same are delivered by registered post.

## **Chapter 25 Interpretation and Definition of these Articles of Association**

Article 25.1 The right to interpret these Articles of Association shall vest with the Board. Matters which are not resolved by these Articles of Association shall be proposed by the Board to the shareholders' general meetings for resolution. Matters not provided in these Articles of Association or inconsistent with the requirements of laws and regulations such as the Company Law, the Rules Governing Listing of Stocks on Shenzhen Stock Exchange, Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Rules for the General Meetings of Shareholders of Listed Companies shall be subject to the relevant requirements based on the principle of severity.

Article 25.2 These Articles of Association are written in both Chinese and English and the Chinese version shall prevail.

Article 25.3 Unless otherwise required by the context, the following nouns and phrases shall have the following meanings:

“these Articles of Association”	the articles of association of the Company
“Board”	the board of Directors
“Chairman”	the chairman of the Board
“Director”	any director of the Company
“Independent Non-executive Directors”	shall have the same meaning as “Independent non-executive directors” defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, which have the same meanings as “independent directors” defined in the PRC Company Law
“Executive Directors”	Directors other than Independent

Non-executive Directors

“Ordinary Shares”	any domestic share or overseas-listed foreign share of the Company
“Company’s office”	the Company’s statutory address at No.8 Ronggang Road, Ronggui Street, Shunde District, Foshan City, Guangdong Province, PRC
“RMB”	the legal currency of the PRC
“Board Secretary”	the company secretary and board secretary appointed by the Board
“China”, “PRC” or “State”	the People’s Republic of China
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Company”	Hisense Kelon Electrical Holdings Company Limited
“Accounting Firm”	shall have the same meaning as the “Auditor” defined in the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited