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# **SHANDONG GOLD MINING CO., LTD.**

## **Articles of Association**

**Shandong, the PRC**

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## CHAPTER 1 GENERAL PROVISIONS

**Article 1** The Articles of Association are formulated pursuant to Company Law of the People's Republic of China (hereinafter as "Company Law"), Securities Law of the People's Republic of China (hereinafter as "Securities Law"), Special Provisions of the State Council Concerning the Floatation and Listing Abroad of Stocks by Limited Stock Companies (hereinafter as "Special Provisions"), the Reply of the State Council on the Adjustment of the Notice Period of the General Meeting and Other Matters Applicable to the Overseas Listed Companies (Circular of the State Council [2019] No. 97), Mandatory Provisions for the Articles of Association of Companies to Be Listed Overseas (hereinafter as "Mandatory Provisions"), Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (hereinafter as "Hong Kong Listing Rules") and other relevant regulations, in order to protect the legitimate rights and interests of SHANDONG GOLD MINING CO., LTD. (hereinafter as "the Company") and shareholders and creditors thereof and regulate the organization and behavior of the Company.

**Article 2** The Company is incorporated as a joint stock limited company in accordance with the Company Law and other relevant regulations (hereinafter as "the Company").

The Company was established by way of promotion and establishment pursuant to the approval under "Lu Ti Gai Qi Zi [2000] No. 3" issued by the Shandong Province Economic System Reform Commission (山東省經濟體制改革委員會) and Shandong Province Joint Stock Limited Company Approval Certificate "Lu Zheng Gu [2000] No. 13" issued by the Shandong Province People's Government. The Company registered with Shandong Provincial Administration for Industry and Commerce on January 31, 2000 and obtained business license. The unified social credit code of the Company is 91370000723865016M.

**Article 3** On August 7, 2003, the China Securities Regulatory Commission (hereinafter as "CSRC") approved the Company to increase its capital for the first time by issuing 60 million RMB ordinary shares to the public, the shares were listed on the Shanghai Stock Exchange on August 28, 2003. On December 27, 2007, the CSRC approved the Company to increase its capital by way of private placement, the Company issued 17,884,051 RMB ordinary shares to Shandong Gold Group Co., Ltd. (山東黃金集團有限公司), SDG Group Pingdu Gold Co., Ltd. (山東黃金集團平度黃金有限公司) (currently known as Shandong Gold Group Qingdao Gold Co., Ltd. 山東黃金集團青島黃金有限公司) and other specific investors. On November 9, 2015, the CSRC approved the Company to acquire asset, fundraise and increase its capital by way of issuance of shares, the Company issued 434,046,401 RMB ordinary shares to specific investors including Shandong Gold Group Co., Ltd. (山東黃金集團有限公司), Shandong Gold Non-ferrous Metal Mine Group Co., Ltd. (山東黃金有色礦業集團有限公司) and Shandong Province State-owned Assets Investment Holding Co., Ltd. (山東省國有資產投資控股有限公司) by way of private placement.

On May 7, 2018, the CSRC approved the Company to issue not more than 376,890,000 overseas listed foreign shares (H shares), which were listed on The Stock Exchange of Hong Kong Limited (hereinafter as “Hong Kong Stock Exchange”) on September 28, 2018.

**Article 4** The Company’s registered names:

Chinese name: 山東黃金礦業股份有限公司

English name: **Shandong Gold Mining Co.,Ltd.**

**Article 5** Domicile of the Company: Building No. 3, Shuntai Square, No. 2000

Shunhua Road, Jinan, Postal Code 250100.

Telephone no. of the Company: 0531-67710376

Fax no. of the Company: 0531-67710380

**Article 6** Registered capital of the Company is RMB4,339,456,283. Increase or decrease of the Company’s registered capital resulting in a change in total registered capital has to be approved by way of resolution of the shareholders’ meeting of the Company in relation to increase or decrease of registered capital, passing of the resolution on amendment of the Company’s Articles of Association, authorizing the board of directors of the Company to complete the registration procedures for the change in registered capital.

**Article 7** The Company is a joint stock limited company having perpetual existence.

**Article 8** The chairman of the board of directors is the legal representative of the Company.

**Article 9** Assets of the Company are divided into equal shares. Shareholders of the Company shall bear liability for the Company to the extent of the shares they hold.

**Article 10** From the date on which the Articles of Association came into effect, the Articles of Association constitutes a legally binding document regulating the organization and behavior of the Company, as well as the rights and obligations shared between the Company and its shareholders and among the shareholders. The Articles of Association shall be a legally binding document for the Company, shareholders, directors, supervisors and senior management. Pursuant to the Articles of Association, the shareholders may pursue actions against other shareholders, directors, supervisors, general manager and other senior management of the Company; pursuant to the Articles of Association, the Company may pursue actions against shareholders, directors, supervisors, general manager and other senior management.

The actions, as referred to in the preceding paragraph, include the instituting of legal proceedings with a court or filing with an arbitral authority for arbitration.

**Article 11** To the extent as permitted by the law and regulations, the Company may invest in other limited liability companies or joint stock limited companies and shall be held responsible for the invested companies within the limitation of the amount of the Company's capital contribution.

**Article 12** "Other senior management" mentioned in this Articles of Association shall mean deputy general manager, chief financial officer, secretary of the board of directors, chief economist and chief engineer etc.

## **CHAPTER 2 BUSINESS OBJECTIVES AND SCOPE**

**Article 13** Business objective of the Company is to: uphold the operation adhering to the laws and regulations, implement modern corporate system, focus on exploration of gold and process of other precious metals, enhance economic efficiency, technology advancement and science management, shape the Company into a large-scale and competitive international gold enterprise through expanding the scale of operation with capital operation.

**Article 14** As registered according to the laws, scope of operation of the Company is: extract and process of gold in permitted area, production and sale of gold mine specific equipment and construction and decorative material.

## **CHAPTER 3 SHARE AND REGISTERED CAPITAL**

### **Section 1 Issuance of Shares**

**Article 15** The stock of the Company shall take the form of shares.

**Article 16** The Company shall issue shares in a transparent, fair and just manner, and each share of the same category shall have the same right.

All shares of the same category issued at the same time shall be issued under the same conditions and at the same price; any entity or individual shall pay the same price for each share.

The domestic shares and overseas listed foreign shares issued by the Company shall enjoy equal rights in the distribution of dividend or distribution in any other form. No powers shall be taken to freeze or otherwise impair any of the rights attaching to any share by reason only that the person who is interested directly or indirectly therein have failed to disclose his/her interests to the Company.

**Article 17** All shares issued by the Company shall be denominated in RMB with each share having a par value of RMB1.

The Company shall have ordinary shares at all times. With the approval of authority authorized by the State Council, the Company may have other forms of shares when needed. Each class of shareholders shall enjoy equal rights in respect of dividends and other distributions.

**Article 18** The Company may offer its shares to both domestic and foreign investors with the approval of the relevant securities regulatory authority under the State Council.

Foreign investors referred to in the preceding paragraph shall mean those investors in foreign countries, People's Republic of China (hereinafter as "PRC"), Hong Kong Special Administration Region (hereinafter as "Hong Kong"), Macau Special Administration Region or Taiwan who subscribe for shares of the Company. Domestic investors shall mean those investors in the PRC, excluding the aforementioned regions, who subscribe for shares of the Company.

**Article 19** Shares that the Company issues to domestic investors for subscription in RMB shall be known as domestic shares. Shares that the Company issues to foreign investors for subscription in foreign currencies shall be known as foreign shares. Foreign shares offered and listed overseas shall be known as overseas listed foreign shares.

Shares listed on overseas stock exchange with the approval of the relevant securities regulatory authority under the State Council and overseas securities regulatory authorities are collectively referred to as overseas listed shares. Holders of domestic shares and holders of overseas listed shares are both holders of ordinary shares.

The domestic shares issued by the Company listed on the Shanghai Stock Exchange shall be known as A shares. The overseas listed foreign shares issued by the Company listed on the Hong Kong Stock Exchange shall be known as H shares.

Foreign currency referred to in the preceding paragraph refers to the statutory currency, other than RMB, of another country or region, which is recognized by the foreign exchange authority of the state and can be used to pay the Company for the shares.

To the extent as permitted by relevant law, administrative regulations and department rules, shareholders of the Company may list the unlisted shares they hold on an overseas stock exchange upon approval by the regulatory authorities such as securities regulatory authority under the State Council. Listing of the aforesaid shares on an overseas stock exchange shall also comply with the regulatory procedure, regulations and requirements of the overseas securities market. Listing of the aforesaid shares on an overseas stock exchange does not require resolution through voting at a class general meeting.

**Article 20** Domestic shares issued by the Company are under centralized depository of the Shanghai branch of China Securities Depository and Clearing Corporation Limited; whereas H shares issued by the Company are in the custody of securities clearing and settlement companies in Hong Kong or held by shareholders under their own names.

**Article 21** The Promoters of the Company are SDG Group Co., ( 山東黃金集團有限公司 ), Shandong Zhaojin Group Co., Ltd. ( 山東招金集團有限公司 ), Shandong Laizhou Gold (Group) Co., Ltd. ( 山東萊州黃金 ( 集團 ) 有限公司 ), Jinan Yuquan Development Centre ( 濟南玉泉發展中心 ) and Shandong Jinzhou Mining Group Co., Ltd. ( 山東金洲礦業集團有限公司 ). Among which, Jinan Yuquan Development Centre is renamed as Jinan Yuquan Development Co., Ltd. ( 濟南玉泉發展有限公司 ) on December 19, 2005.

On October 18, 1999, the abovementioned 5 promoters signed the Promoters' Agreement. The key promotor SDG Group Co., injected RMB144.4233 million into the Company, which includes certain offices of the headquarter and the assessed and confirmed net assets of Xincheng Gold Mine relating to gold production. The other 4 promoters made contribution in cash, among which Shandong Zhaojin Group Co., Ltd. and Shandong Laizhou Gold (Group) Co., Ltd. each injected RMB1.4889 million, Jinan Yuquan Development Co., Ltd. injected RMB0.89334 million and Shandong Jinzhou Mining Group Co., Ltd. injected RMB0.59556 million. Pursuant to "Lu Guo Zi Qi Zi [1999] No. 60" issued by Shandong State-owned Assets Administration Bureau, the net assets contributed to the Company by the promoters amounted to RMB148.89 million, which is discounted to RMB100 million at 67.16%.

**Article 22** Equity structure of the Company is as follows: 4,339,456,283 ordinary shares, including 3,639,952,864 domestic shares, representing 83.88% of the total shares of the Company and 699,503,419 H shares, representing 16.12% of the total shares of the Company.

**Article 23** The board of directors of the Company may make arrangement for the Company's separate issuance of overseas listed foreign shares and domestic shares according to the issue scheme approved by the securities regulatory authority under the State Council.

According to the aforesaid scheme for separate issuance of overseas listed foreign shares and domestic shares, the Company may issue the shares separately within 15 months after approval of the securities regulatory authority under the State Council.

**Article 24** If the Company separately issues overseas listed foreign shares and domestic shares within the total number specified in the issue scheme, the said shares shall be issued respectively at one time; if it is impossible for the shares to be issued at one time for special reasons, the shares may be issued by several times upon approval by the securities regulatory authorities of the State Council.



## **Section 2 Increase, Decrease and Buyback of Shares**

**Article 25** The Company may increase capital based on the needs of operation and development and in accordance with the requirements of laws and regulations and resolution on Shareholders' meeting, by way of the following:

- (1) Public offering of shares;
- (2) Non-public offering of shares;
- (3) Placement of new shares to existing shareholders;
- (4) Offer of new shares to existing shareholders;
- (5) Conversion of reserve into share capital;
- (6) Other means stipulated by laws and administrative regulations and approved by the CSRC.

Issuance of new shares by the Company shall be subject to approval as specified in the Articles of Association and follow the procedure specified in the relevant laws and administrative regulations of the state and the respective listing rules of the places where the shares of the Company are listed.

**Article 26** The Company may decrease its registered capital. The Company shall decrease its registered capital pursuant to the Company Law, the respective listing rules of the places where the shares of the Company are listed, other relevant regulations and the Articles of Association.

**Article 27** The Company shall prepare a balance sheet and a list of property inventory when decreasing its registered capital.

**Article 28** The Company shall notify all creditors within 10 days after adoption of the resolution to decrease the registered capital and shall make announcements in newspapers for at least 3 times within 30 days. The creditors shall have the right to require the Company to repay debts or provide corresponding guarantees for debt repayment within 30 days after receipt of the notice or within 45 days after the announcement if the creditors haven't received the notice.

The Company's registered capital shall not, upon the decrease of capital, be less than the statutory minimum limit.

**Article 29** The Company may, in the following circumstances, buy back its outstanding shares in accordance with the law, administrative regulations, department rules and requirement of this Articles of Associations:

- (1) When decreasing registered capital of the Company;
- (2) When merging with other companies holding shares of the Company;
- (3) When shares are being used in the employee stock ownership plan or as equity incentive;
- (4) When shareholders objecting to resolutions of the shareholders' meeting concerning merger or division of the Company require the Company to buy their shares;
- (5) When shares are being used to satisfy the conversion of corporate bonds issued by the listed company that can be converted to shares;
- (6) When safeguarding corporate value and shareholders' equity as the Company deems necessary;
- (7) Other situations permitted by laws and regulations.

Except for the abovementioned circumstances, the Company will not conduct any activities buying or selling its shares.

**Article 30** The Company may repurchase its shares through public and centralised trading or other methods as permitted by laws and regulations and the CSRC.

Where the Company repurchases its own shares in the circumstances set out in items (3), (5) and (6) of the Paragraph 1 of Article 29 of the Articles of Association, such repurchase shall be conducted through public and centralised trading.

**Article 31** In buying back shares through agreement outside the stock exchange, the Company shall seek prior approval at a shareholders' meeting in accordance with the Articles of Association. With prior approval at the shareholders' meeting in the same way, the Company may cancel or change the contract already concluded in the aforesaid manner or waive any right under the contract.

The share buyback contract mentioned in the preceding paragraph includes (but is not limited to) agreement to undertake share buyback obligations and obtain share buyback rights.

The Company shall not transfer the share buyback contract or any right thereunder.

As far as the Company's right to repurchase the redeemable shares is concerned, the repurchased price shall not exceed certain upper limit if such shares are not repurchased in the market or by bidding; whereas in the event of repurchase by bidding, relative bids must be equally issued to all its shareholders.

**Article 32** Where the Company repurchases its shares in the circumstances set out in clauses (1) and (2) of the Paragraph 1 of Article 29 of the Articles of Association, it shall be subject to approval at the General Meeting; where the Company repurchases its shares in the circumstances set out in clauses (3), (5) and (6) of the Paragraph 1 of Article 29 of the Articles of Association, it may be resolved by more than two-thirds of directors present at a meeting of the Board of Directors in accordance with the provisions of the Articles of Association or the authorization of the general meeting. In the event that the Company repurchases its shares in accordance with the Paragraph 1 of Article 29 of the Articles of Association, such Shares shall be cancelled within 10 days in the circumstance set out in clause (1), or shall be transferred or cancelled within 6 months in the circumstances set out in clauses (2) and (4); the aggregate number of shares held by the Company shall not exceed 10% of the total issued shares of the Company, and shall be transferred or cancelled within 3 years in the circumstances set out in clauses (3), (5) and (6).

Shares being cancelled shall be applied to the original company registration authority for registration of the change in its registered capital. The aggregate par value of the cancelled shares shall be deducted from the Company's registered capital.

**Article 33** Unless the Company is under liquidation, the Company shall observe the following regulations when buying back its outstanding shares:

- (1) If the Company buys back shares at par value, the payment shall be deducted from the book balance of distributable profit of the Company and the proceeds from issuance of new shares for buying back old shares;
- (2) If the Company buys back shares above par value, the part equivalent to the par value shall be deducted from the book balance of distributable profit of the Company and the proceeds from issuance of new shares for buying back old shares; the part above the par value shall be processed as follows:
  - i. Deducted from the book balance of distributable profit of the Company if the shares bought back were issued at par value;
  - ii. Deducted from the book balance of distributable profit of the Company and the proceeds from issuance of new shares for buying back old shares if the shares bought back were issued above par value; but the amount deducted from the proceeds from issuance of new shares shall not exceed the total premium obtained at the time of issuance of the shares bought back and shall not exceed the amount (including premium from issuance of new shares) in the premium account (or capital reserve account) of the Company at the time of buyback;

- (3) The monies paid by the Company for the following purposes shall be deducted from the distributable profits of the Company:
  - i. Acquiring the right to buy back its shares;
  - ii. Changing the share buyback contract;
  - iii. Cancelling its obligations under the share buyback contract.
- (4) After the par value of the cancelled shares is deducted from the registered capital of the Company pursuant to relevant regulations, the amount deducted from the distributable profit for paying the par value of the shares bought back shall be stated in the premium account (or capital reserve account) of the Company.

Where the laws, regulations and relevant requirements of the securities regulatory authorities in the place where the shares of the Company are listed have any other provisions in respect of the financial arrangement related to the aforementioned share buy-back, such provisions shall prevail.

### **Section 3 Transfer of Shares**

**Article 34** Unless otherwise specified in the laws and administrative, shares of the Company can be freely transferred and are not subject to any lien. Shares of the Company could be granted, inherited and pledged in accordance with relevant laws, administrative regulations and requirement of the Articles of Association. For the transfer of overseas listed foreign shares listed in Hong Kong, registration shall be made in the share registrar in Hong Kong authorized by the Company.

**Article 35** All paid up H shares shall be freely transferable in accordance with the Articles of Association; unless the following conditions are satisfied, the board of directors may refuse to recognize any transfer documents without giving any reasons:

- (1) Fee of such amount prescribed in the Hong Kong Listing Rules of The Hong Kong Stock Exchange for the registration of the transfer documents of the shares and other documents relating to or affecting the ownership of shares is paid;
- (2) The transfer document only involves H shares;
- (3) The stamp duty payable in respect of the transfer document as required by the law of Hong Kong has been paid;
- (4) The relevant share certificate, together with the evidence as reasonably required by the board of directors showing that the transferor is entitled to transfer the shares are produced;
- (5) If the shares are to be transferred to joint holders, the number of registered joint holders shall not exceed four;
- (6) No company shall have any lien over the relevant shares.

If the board of directors refuses to register the share transfer, the Company shall send a written notice of the transferor and transferee within two months from the date of transfer application.

**Article 36** All overseas-listed foreign invested shares shall be transferred by a transfer form in writing in the usual or common form accepted by the Hong Kong Stock Exchange or any other form which the board of directors may accept (including standard transfer format or ownership transfer form specified by the Hong Kong Stock Exchange from time to time). The instrument of transfer of any share may be executed by hand without seal. If the assignor or the assignee is a recognized clearing house as defined in the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (as amended from time to time) (“Recognized Clearing House”) or its agent, the share transfer form may be executed by hand or in mechanically-printed form.

All share transfer forms shall be maintained in the legal address of the Company or other places designated by the board of directors from time to time.

**Article 37** The Company shall not accept its own shares as pledge subject.

**Article 38** Shares of the Company held by the promoters shall not be transferred within one year after incorporation of the Company. Shares already issued by the Company before public offering shall not be transferred within one year after the shares of the Company are listed on the stock exchange.

The directors, supervisors and senior executives shall report to the Company about their shareholdings and changes thereof and shall not transfer more than 25% of the same class of their shares per annum during their terms of office; the shares they hold in the Company shall not be transferred within one year after the shares of the Company are listed. The aforesaid persons shall not transfer their shares in the Company within half a year after they terminate service with the Company.

**Article 39** Where a director, supervisor, member of the senior management of the Company or any shareholder holding more than 5% of the Company’s shares sells his shares of the Company within 6 months after his purchase of such shares, or re-purchases the shares within 6 months after his selling of such shares, the proceeds generated therefrom shall become that of the Company. The board of directors of the Company shall forfeit such proceeds. However, where a securities company holds more than 5% of the Company’s shares as a result of underwriting, the sale of remaining shares of the Company shall not be subject to such 6 months restriction.

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

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

#### **Section 4 Financial Assistance to Acquire Shares of the Company**

**Article 40** The Company or its subsidiaries (including affiliates of the Company) shall not at any time or by way of gift, advance, guarantee, compensation or loans, to provide any financial assistance to purchasers or potential purchasers of the Company's shares. The aforesaid purchasers include persons directly or indirectly undertaking obligations because of the purchase of the Company's shares.

The Company or its subsidiaries shall not at any time or in any form provide any financial assistance to the aforesaid obligors for the purpose of reducing or discharging their obligations.

The provisions herein do not apply to the circumstances set out in Article 42.

**Article 41** Financial assistance referred to in this Chapter includes (but is not limited to) the following:

- (1) Gift;
- (2) Guarantee (including the case where the guarantor undertakes liability or provides property to ensure fulfilment of obligations by the obligor), compensation (excluding compensation for the Company's own error), termination or waiver of rights;
- (3) Provision of loan or execution of contract under which the Company fulfils obligations prior to other parties, change of the said loan and the parties to the contract, and transfer of the said loan and rights under the contract;
- (4) Provision of any other form of financial assistance when the Company is insolvent, has no net assets or its net assets are likely to decrease significantly.

Obligations referred to herein include the obligations undertaken by the obligor for entering into a contract or making an arrangement (regardless whether the said contract or arrangement is enforceable or whether it is undertaken by the obligor individually or jointly with others) or for changing his financial position in any form.

**Article 42** The following acts are not deemed as prohibited under Article 40 of this Chapter:

- (1) The Company provides the relevant financial assistance truthfully in the interest of the Company and the said financial assistance is not mainly intended to buy back the Company's shares or the said financial assistance is part of a general plan of the Company;
- (2) The Company distributes its properties as dividends in accordance with the law;
- (3) The Company distributes shares as dividends;
- (4) The Company decreases the registered capital, buys back shares and adjusts the equity structure in accordance with the Articles of Association;
- (5) The Company, within its business scope, provides loan for its normal business operations (but such financial assistance shall not give rise to a decrease of the net assets of the Company, or despite a decrease, such financial assistance is deducted from the distributable profit of the Company);
- (6) The Company provides loan for the employee stock ownership plan (but such financial assistance shall not give rise to a decrease of the net assets of the Company, or despite a decrease, such financial assistance is deducted from the distributable profit of the Company).

## **Section 5 Shares and Register of Shareholders**

**Article 43** The Company's shares are all registered shares.

Particulars that should be specified on the share certificate of the Company, in addition to those requirements under the Company Law, shall also include other particulars required by the stock exchange where the shares of the Company are listed.

If the share capital of the Company includes non-voting shares, the name of such shares must be denoted by the wordings of "non-voting". If the share capital includes shares with different voting rights, the name of each category of shares (except for shares with the most preferential voting rights) must be denoted by the wordings of "restricted voting right" or "limited voting right".

The Company may issue overseas listed foreign shares in form of foreign depository receipts or other derivative means of shares in accordance with the laws and the practice of registration and depository of securities in the listing place.

**Article 44** During the period when H shares are listed on the Hong Kong Stock Exchange, the Company shall at all times ensure that all of its ownership documents of securities listed on the Hong Kong Stock Exchange (including share certificates of H shares) shall include the following statements, and shall instruct and procure its share registrar for H shares to reject any subscription, purchase or transfer of the shares registered in the name of any individual holder, unless and until the said individual holder has submitted to the share registrar of H shares the duly signed form relating to the said shares, and such form shall include the following statements:

- (I) The share buyer agrees with the Company and each of its shareholders, and the Company agrees with each shareholder, to observe and comply with the provisions of the Company Law and other relevant laws, administrative regulations, Special Provisions and the Articles of Association;
- (II) The share buyer agrees with the Company and the Company's each shareholder, director, supervisor and senior management officer, and the Company acting on its own behalf and for each director, supervisor and senior management officer also agrees with each shareholder, to refer all disputes or claims arising from the Articles of Association or from the rights and obligations specified in the Company Law or other relevant laws or administrative regulations with respect to the Company's affairs to arbitration in accordance with the Articles of Association, and any reference to arbitration shall be deemed to authorize the arbitration tribunal to conduct an open hearing session and to publish its arbitral award, and the arbitral award shall be final and conclusive;
- (III) The share buyer agrees with the Company and each of its shareholders that the shares of the Company can be transferred freely by the holders; the share buyer authorizes the Company to conclude contract on his behalf with each director and senior management officer, and such director and senior management officer shall undertake to observe and fulfill their duties for shareholders as specified in the Articles of Association.

**Article 45** Share certificates shall be signed by the chairman of the board of directors. Where the signatures of other senior management officers are required by the stock exchange where the shares of the Company are listed, other relevant senior management officers shall also sign on the share certificates. The share certificates shall become effective after being affixed or imprinted with the corporate seal. The share certificates shall only be affixed with the corporate seal under the authorization of the board of directors. The signatures of the chairman of the board of directors or other relevant senior management officers on the share certificates may also be in printed form.



Where the issuance and trading of the shares of the Company are in non-paper form, relevant provisions enacted separately by the securities regulatory authorities, stock exchange of the place where the shares of the Company are listed shall be applicable.

**Article 46** The Company shall maintain a register of shareholders based on vouchers provided by securities registries. The register of shareholders of the Company shall record the following particulars:

- (I) The name (title), address (domicile), occupation or nature of each shareholder;
- (II) The category and number of shares held by each shareholder;
- (III) The amount paid or payable in respect of the shares held by each shareholder;
- (IV) The serial numbers of the shares held by each shareholder;
- (V) The date on which each shareholder is registered as a shareholder;
- (VI) The date on which each shareholder ceases to be a shareholder.

The Company shall sign a share custody agreement with share registries for the purpose of consulting the information and shareholding change (including share pledge) of major shareholders on a regular basis, in order to be fully aware of the shareholding structure of the Company in a timely manner.

**Article 47** The Company may, pursuant to the understanding and agreements made between the securities regulatory authorities of State Council and overseas securities regulatory authorities, keep the register of shareholders of overseas listed foreign shares outside the PRC and appoint overseas agent(s) for management. The original register of holders of H shares of the Company shall be kept in Hong Kong.

The Company shall keep a duplicate of the register of holders of overseas listed foreign shares at the Company's address; the appointed overseas agent(s) shall ensure the consistency between the original and the duplicate of the register of holders of overseas listed foreign shares.

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

The register of shareholders shall include the following parts:

- (I) The register of shareholders kept at the Company's address other than those specified in items (II) and (III) of this Article;
- (II) The register of shareholders of overseas listed foreign shares of the Company kept in the place where the stock exchange for overseas listing is situated;
- (III) The register of shareholders kept in other places as the board of directors may decide to be necessary for the listing of the shares of the Company.

**Article 49** Different parts of the register of shareholders shall not overlap with each other. For the transfer of shares registered in a part of the register of shareholders, during the continuance of registration, such shares shall not be registered in other parts of the register of shareholders.

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

**Article 50** Subject to the Articles of Association and all other applicable requirements, once the shares of the Company are transferred, the transferee of the shares shall be the holder of such shares, its name (title) will be listed in the register of shareholders.

All transfer documents and other documents relating to the ownership of any H shares or which may affect the ownership of any H shares must be registered. If any fees are payable in respect of the registration, such fees shall not be more than the maximum amount stipulated by the Hong Kong Stock Exchange.

Where two or more persons are registered as joint shareholders of any shares, they shall be deemed as joint holders of the said shares subject to the following restrictions:

- (I) If empowered to restrict the number shareholders for joint accounts of shareholders, the maximum number of registered joint shareholders shall be four persons;
- (II) All joint shareholders of any shares shall be jointly and severally responsible for all amounts payable in respect of the relevant shares;
- (III) In the event that one of the joint shareholders has deceased, only the other remaining joint shareholders shall be deemed by the Company as the owners of the relevant shares. However, the board of directors has the right to require the provision of the death certificate of the relevant shareholder as it deems appropriate for the alteration of the information in the relevant register of shareholders; and
- (IV) Among the joint shareholders of any shares, only the joint shareholder listed first in the register of shareholders has the right to receive the share certificate of the relevant shares from the Company, receive notices of the Company, and any notice served to the aforesaid person shall be deemed as having been served to all the joint shareholders of the relevant shares. Any one of the joint shareholders may sign the form of proxy, but if more than one joint shareholders attend in person or by proxy, the vote cast by the joint shareholder in priority, whether cast in person or by proxy, shall be accepted as the sole vote cast on behalf of the other joint shareholders. For this purpose, the priority of the shareholders shall be determined by the order in which the names of the joint shareholders of the relevant shares appear in the register of shareholders of the Company.

**Article 51** No change may be made in the register of shareholders as a result of a transfer of shares within 30 days prior to the date of convening a general meeting or within 5 days prior to the benchmark date on which the Company decides the distribution of dividends.

If the securities regulatory authorities of the place where the shares of the Company are listed make other provisions, such provisions shall prevail.

**Article 52** When the Company convenes a general meeting, distributes dividends, conducts liquidation or other acts that require confirmation of identity of shareholders, the board of directors or the convener of any such general meeting shall decide a date to be the shareholding confirmation date, and the shareholders who are registered in the register of shareholders at the close of the shareholding confirmation date shall be the shareholders of the Company.

**Article 53** If any person has objection against the register of shareholders and requests to register his name (title) in the register of shareholders, or requests to delete his name (title) from the register of shareholders, he may apply to a court with competent jurisdiction to correct the register of shareholders.

**Article 54** For any shareholder registered in the register of shareholders or any person who requests his name (title) to be registered in the register of shareholders, if his share certificate (the “original share certificate”) has been stolen, lost or destroyed, he may apply to the Company to reissue a new share certificate as replacement in respect of the relevant shares (the “relevant shares”).

Application for replacement of stolen, lost or destroyed for shareholders of domestic shares shall be processed in accordance with the requirements of the Company Law.

Application for replacement of stolen, lost or destroyed share certificates for shareholders of overseas listed foreign shares may be processed in accordance with the laws, rules of the stock exchange or other relevant provisions of the place where the original register of shareholders of overseas listed foreign shares is kept. In application for replacement of lost share certificates from shareholders of H shares, the reissue of a replacement share certificate shall comply with the following requirements:

- (I) The applicant shall submit an application in the standard format specified by the Company and attached with a notarial certificate or statutory declaration document. The contents of the notarial certificate or statutory declaration document shall include the applicant’s reason for application, information and evidence about the loss of the share certificate, and a statement that no other person may request to be registered as a shareholder of the relevant shares.

- (II) Before deciding to issue a new share certificate for replacement, the Company has not received any statement from any person other than the applicant to request for registration as shareholder of such shares.
- (III) If the Company has decided to reissue a new share certificate for replacement to the applicant, an announcement on preparing to reissue new share certificate for replacement shall be published on the newspapers designated by the board of directors; the announcement period shall be 90 days, with repeated publication of at least one announcement in every 30 days.
- (IV) Before publishing the announcement on preparing to reissue new share certificate, the Company shall submit a copy of the announcement intended to be published to the stock exchange where the Company is listed, and may publish the announcement only after receiving a reply from the said stock exchange confirming that the said announcement has been displayed in the stock exchange. The duration of display of the said announcement in the stock exchange is 90 days.

If the application for reissue of share certificate for replacement is not consented by the registered shareholder of the relevant shares, the Company shall mail a copy of the announcement intended to be published to the said shareholder.

- (V) If upon expiry of the 90-day period for announcement and display as specified in (III) and (IV) above, the Company has not received any objection to the reissue of share certificate from any person, the Company may reissue new share certificate for replacement according to the application from the applicant.
- (VI) When the Company reissues new share certificate for replacement according to the provisions of this Article, the original share certificate must be cancelled immediately, and such cancellation and reissue events shall be recorded in the register of shareholders.
- (VII) All the costs and expenses incurred by the Company in the cancellation of the original share certificate and the reissue of new share certificate for replacement shall be borne by the applicant. Before the applicant has provided a reasonable guarantee, the Company has the right to refuse taking any action.

**Article 55** After the Company has reissued the new share certificate for replacement in accordance with the provisions of the Articles of Association, the name (title) of the bona fide purchaser of the aforesaid new shares or the shareholder (if he is a bona fide purchaser) later registered as owner of the said shares shall not be deleted from the register of shareholders.

**Article 56** The Company shall have no obligation to compensate any person who has suffered from any loss arising from the cancellation of the original share certificate or the reissue of new share certificate for replacement, unless the said person can prove that the Company has committed any fraud.

## **CHAPTER 4 SHAREHOLDERS AND SHAREHOLDERS'**

### **Section 1 Shareholders**

**Article 57** A shareholder of the Company is a person who lawfully holds shares of the Company and whose name is registered in the register of shareholders. Shareholders shall enjoy rights and have obligations in accordance with the class of shares held by them. Shareholders holding the same class of shares shall be entitled to equal rights and have equal obligations.

**Article 58** Shareholders of the Company's ordinary shares shall enjoy the following rights:

- (I) The rights to receive dividends and other forms of distribution in proportion to the number of shares held by them;
- (II) The rights to request, convene, chair, attend or appoint proxy to attend shareholders' meetings and exercise corresponding voting rights in accordance with laws;
- (III) The rights to supervise the operation of the Company and to put forward proposals and raise inquiries;
- (IV) The rights to transfer, donate, or pledge shares held by them in accordance with laws, administrative regulations and the Articles of Association;
- (V) The rights to obtain relevant information in accordance with the Articles of Association of the Company, including:
  - 1. to obtain a copy of the Articles of Association upon payment of the cost of such copy;
  - 2. to have free access and photocopy upon payment of a reasonable charge, of:
    - (1) all parts of the register of shareholders;

- (2) personal particulars of each of the directors, supervisors, general manager and other senior management of the Company, including:
  - (a) current and previous names and aliases;
  - (b) main address (domicile);
  - (c) nationality;
  - (d) full-time and all other part-time occupations and duties;
  - (e) identification documents and their numbers.
- (3) the status of the Company's share capital;
- (4) reports of the aggregate par value, number of shares, highest and lowest prices paid by the Company in respect of each class of shares bought back by the Company since the end of the last financial year and all the expenses paid by the Company therefor, and their breakdown by domestic and overseas listed shares;
- (5) minutes of shareholders' general meetings (only available for shareholders' inspection);
- (6) special resolutions of the shareholders' general meetings and/or the Board of the Company;
- (7) The latest audited financial statements of the Company, and the reports of directors, auditors, and supervisors;
- (8) Copy of the latest annual report (annual return) filed with the State Administration for Market Regulation or other competent authorities.

The Company shall deposit the above clauses (1), (3), (4), (5), (6), (7), and (8) documents at its Hong Kong address (residence) as required by the Listing Rules of the Hong Kong available for free inspection of the public and H shareholders.

- (VI) The rights to participate in the distribution of remaining assets of the Company corresponding to the number of shares held in the event of the termination or liquidation of the Company;
- (VII) The rights to demand the Company to acquire the shares held by them with respect to shareholders voting against any resolution adopted at the shareholders' meeting on the merger or division of the Company;

(VIII) Shareholders individually or jointly holding 3% or more of the shares of the Company may propose ad hoc proposals and submit to the board of directors in writing 10 days before the convening of the shareholders' meeting;

(IX) Other rights conferred by laws, administrative regulations, departmental rules, or the Articles of Association.

The register of shareholders mentioned in clause (5) of the previous Article refers to the list of all shareholders at the close of trading on the record date of the Company's latest periodic report.

**Article 59** Where shareholders request for inspection of the relevant information or demand for materials as mentioned in the previous Article, they shall provide the Company with written documents evidencing the class and number of shares of the Company they hold. Upon verification of the shareholder's identity, the Company shall provide information requested by such shareholder.

**Article 60** If the resolutions of shareholders' meeting and the Board are in violation of laws and administrative regulations, shareholders are entitled to request the People's Court to identify them invalid.

The procedures for convening and voting of shareholders' meeting and the Board of Directors are in violation of laws, administrative regulations or the Articles of Association, or the resolutions violate the Articles of Association, shareholders are entitled to request the People's Court to revoke such resolutions within 60 days.

**Article 61** If Directors and senior management personnel cause losses to the Company for violation of the requirements of laws, administrative regulations or the Articles of Association during performance of their duties, shareholders who hold more than 1%, individually or jointly, of the Company's shares for more than 180 days continuously, have the right to request the board of supervisors to bring a suit to the People's Court; if the board of supervisors causes losses to the Company for violation of the requirements of laws, administrative regulations or the Articles of Association during performance of their duties, Shareholders can request the Board in written form to file a suit in the People's Court.

If the board of supervisors or the Board causes irreparable losses to the Company's interests as it refuses to file a suit after receiving the written request from shareholders as set out in the preceding paragraph, or fails to file a suit within 30 days since the date of receiving the request, or does not file a suit immediately in case of emergency, the shareholders as mentioned in the preceding paragraph have the right to bring a suit directly to the People's Court in their own name for the interests of the Company.

If others infringe on the legitimate rights and interests of the Company and cause losses to it, the shareholders as specified in paragraph 1 of this Article can bring a suit to the People's Court as per the regulations as set out in the two preceding paragraphs.

**Article 62** If Directors and senior management personnel cause damage to the shareholders' interests for violation of the requirements of laws, administrative regulations or the Articles of Association, shareholders can bring a suit to the People's Court.

**Article 63** Shareholders of the Company shall have the following obligations:

- (I) To abide by laws, administrative regulations and the Articles of Association;
- (II) To pay for the shares based on the shares subscribed for and the manners in which they became shareholder;
- (III) not to withdraw their paid share capital except in circumstances allowed by laws and regulations;
- (IV) not to abuse shareholder's rights and harm the interest of the Company or other shareholders; not to abuse the independent legal person status of the Company and the limited liability of the shareholders to impair the interests of creditors of the Company ;

Where the shareholder's abuse of its power causes damage to other shareholders, he shall be liable to compensation in accordance with the law ;

Where the shareholder has abused the Company's independent legal person status and shareholder's limited liability for debt evasion and caused serious damage to the creditor's interests, it shall bear joint liability for the debts of the Company ;

- (V) Other obligations imposed by laws, administrative regulations and the Articles of Association. Shareholders are not liable for making any further contribution to the share capital other than as agreed by the subscribers of the shares on subscription.



**Article 64** The shareholders holding more than 5% of the Company's voting rights shall, in the event of a pledge of the shares held by them, report to the Company in writing from the date of occurrence of such fact.

**Article 65** Neither the controlling shareholder nor the de facto controller of the Company may misappropriate the assets and prejudice the interests of the Company by taking advantage of his connected relationship. Anyone who causes any loss to the Company as a result of violating the provisions shall be liable for the compensation.

The controlling shareholder and the de facto controller of the Company owe a fiduciary duty to the Company and its publicly issued shares shareholders. They shall strictly exercise the rights as a subscriber, and shall not impair the legitimate rights and interests of the Company and the publicly issued shares shareholders in the ways of profit distribution, asset reorganization, overseas investment, capital use and loans and guarantees, and shall not impair the interests of the Company and the publicly issued shares shareholders by using its controlling status in the Company.

**Article 66** In addition to obligations imposed by laws, administrative regulations or required by the listing rules of the stock exchange where the Company's shares are listed, a controlling shareholder shall not exercise his voting rights in respect of the following matters in a manner prejudicial to the interests the shareholders generally or partially:

- (I) to relieve a Director or Supervisor of his/her duty to act honestly in the best interests of the Company;
- (II) to approve the expropriation by a Director or Supervisor (for his/her own benefit or for the benefit of another person), in any guise, of the Company's property, including (without limitation) opportunities beneficial to the Company; or
- (III) to approve the expropriation by a Director or Supervisor (for his/her own benefit or for the benefit of another person) of the individual rights or interests of other shareholders, including (without limitation) rights to distributions and voting rights save for the Company's restructuring submitted to shareholders for approval and adopted by the shareholders' meeting in accordance with the Articles of Association.

## Section 2 General Requirement of Shareholders' Meeting

**Article 67** The shareholders' meeting is the organ of authority of the Company, which exercises its functions and powers in accordance with laws:

- (I) to decide on operational policies and investment plans of the Company;
- (II) to elect and replace the directors and supervisors who are not representatives of the employees, and to decide on matters relevant to remuneration of directors and supervisors;
- (III) to consider and approve reports of the board of directors;
- (IV) to consider and approve reports of the board of supervisors;
- (V) to consider and approve annual financial budget plans and final accounting plans of the Company;
- (VI) to consider and approve the profit distribution plan and loss recovery plan of the Company;
- (VII) to determine the increases or decrease of the registered capital and issue of shares of any class, stock warrants or other similar securities of the Company;
- (VIII) to determine the issuance of corporate bonds by the Company;
- (IX) to determine matters such as the merger, division, dissolution, liquidation or change;
- (X) to amend the Articles of Association;
- (XI) to determine the appointment of, removal of and non-reappointment of an auditor by the Company;
- (XII) to consider and approve the proposal raised by shareholders who hold (3%) or more of the total number of voting shares of the Company;
- (XIII) to consider and approve guarantees specified in Article 68 of the Articles of Association;
- (XIV) to consider matters relating to the purchases and disposals of material assets, which are more than 30% of the latest audited total assets of the Company, within one year;
- (XV) to review and approve the change of the purpose for raising funds;
- (XVI) to consider share incentive plans;
- (XVII) to review other matters which, in accordance with laws, administrative regulations, departmental rules, the respective listing rules of the places where the shares of the Company are listed, or the provisions of the Articles of Association, shall be approved at a shareholders' meeting.

The functions and powers of the shareholders' meeting mentioned above shall not be delegated to the Board or any other body or individual. When it is deemed necessary and reasonable, in relation to resolutions that have been made but their relevant specific matters cannot be decided upon during the shareholders' general meeting, the general meeting may authorize the Board to decide upon such matters within the scope of authorization of the shareholders' general meeting subject to the applicable laws, regulations and Articles of Association.

**Article 68** The following external guarantees to be given by the Company shall be examined and approved by the shareholders' meeting:

- (I) Provision of any external guarantee by the Company and its subsidiaries, the total amount of which exceeds 50% of the latest audited net assets of the Company;
- (II) Provision of any external guarantee by the Company, the total amount of which reaches or exceeds 30% of the latest audited total assets of the Company(after deducting clients' margins);
- (III) Provision of guarantee to anyone whose liability-asset ratio exceeds 70%;
- (IV) Provision of a single guarantee whose amount exceeds 10% of the latest audited net assets of the Company; and
- (V) Provision of guarantees to the shareholders, de facto controllers and their related parties.

**Article 69** Shareholders' meetings are divided into annual general meetings and extraordinary general meetings. Annual general meetings are held once every year and within 6 months from the end of the preceding accounting year.

If the meeting has to be adjourned for special circumstances, the Company shall promptly report to the delegated authority of the CSRC where the Company is domiciled and the stock exchange where the shares of the Company are listed, explain the reasons for the postponement and publish an announcement.

**Article 70** The Board shall convene an extraordinary general meeting within two (2) months after the occurrence of any one of the following circumstances:

- (I) where the number of Directors is less than the number stipulated in the Company Law or is no more than two-thirds of the number required by the Articles of Association;

- (II) where the accrued losses of the Company amount to one-third of its total share capital;
- (III) where shareholders holding ten (10) per cent. or more of the Company's issued shares make a written request to convene an extraordinary general meeting;
- (IV) where the Board considers it necessary;
- (V) where the board of supervisors proposes to call for such a meeting;
- (VI) other circumstances stipulated by laws, administrative regulations, departmental rules, or the Articles of Association.

**Article 71** The venue of shareholders' meetings of the Company is: Conference Room, Building No.3, Shuntai Plaza, Shunhua Road No. 2000, Jinan, Shandong Province.

A venue shall be set aside for the convening of such physical shareholders' meetings. Such meetings may also be participated via Internet pursuant to relevant requirements. A shareholder who participates in a shareholders' meeting by online means shall be deemed to have been present at the meeting, and the shareholder's identity shall be confirmed by the system of the stock exchange or online voting system.

**Article 72** The Company shall engage lawyers to attend the shareholders' meetings and advise on the following issues with announcements made thereon:

- (1) Whether the convening of the shareholders' meeting and its procedures are in compliance with laws, administrative regulations and these Articles of Association ;
- (2) Whether the attendees are eligible and whether the eligibility of the convener is lawful and valid ;
- (3) Whether the procedures of voting and the voting outcome of the meeting are lawful and valid; and
- (4) Legal opinions on other related matters at the request of the Company.

### **Section 3 Convening of Shareholders' Meetings**

**Article 73** Half of the independent non-executive directors shall be entitled to propose to the Board to convene an extraordinary general meeting. Regarding the proposal of the independent non-executive directors to convene an extraordinary general meeting, the Board shall, pursuant to relevant laws, administrative regulations and the Articles of Association, give a written reply on whether to convene the extraordinary general meeting or not within 10 days after receipt of the proposal.

If the Board agrees to convene the extraordinary general meeting, it shall serve a notice of such meeting within 5 days after the resolution is made by the Board. If the Board does not agree to hold the extraordinary general meeting, it shall give the reasons and publish an announcement.

**Article 74** The board of supervisors shall be entitled to propose to the Board to convene an extraordinary general meeting, and shall put forward its proposal to the Board in writing. The Board shall, pursuant to laws, administrative regulations and these Articles of Association, give a written reply on whether to convene the extraordinary general meeting or not within 10 days after receipt of the proposal.

If the Board agrees to convene the extraordinary general meeting, it will serve a notice of such meeting within 5 days after the resolution is made by the Board. In the event of any change to the original proposal set forth in the notice, the consent of the board of supervisors shall be obtained.

If the Board does not agree to hold the extraordinary general meeting or fails to give a reply within 10 days after receipt of the proposal, it shall be deemed to be unable to perform or fail to perform the duty of convening the extraordinary general meeting, and the board of supervisors may convene and preside over the meeting by itself.

**Article 75** Shareholder(s) severally or jointly holding 10% or above shares of the Company shall be entitled to request the Board to convene an extraordinary general meeting, and shall put forward such request to the Board in writing. The Board shall, pursuant to laws, administrative regulations and these Articles of Association, give a written reply on whether to convene the extraordinary general meeting or not within 10 days after receipt of the proposal.

If the Board agrees to convene the extraordinary general meeting, it shall serve a notice of such meeting within five days after the resolution is made by the Board. In the event of any change to the original proposal set forth in the notice, the consent of relevant shareholder(s) shall be obtained.

If the Board does not agree to hold the extraordinary general meeting or fails to give a reply within 10 days after receipt of the proposal, shareholder(s) severally or jointly holding 10% or above shares of the Company shall be entitled to propose to the board of supervisors to convene an extraordinary general meeting, and shall put forward such request to the board of supervisors in writing.

If the board of supervisors agrees to convene the extraordinary general meeting, it shall serve a notice of such meeting within 5 days after receipt of the said request. In the event of any change to the original proposal set forth in the notice, the consent of relevant shareholder(s) shall be obtained.

In the case of failure to issue the notice for the shareholders' meeting within the term stipulated, the board of supervisors shall be deemed as failing to convene and preside over the shareholders' meeting. As a result of its failure to do so for more than 90 consecutive days, the shareholder(s) severally or jointly holding 10% or above shares of the Company for 90 consecutive days or above may convene and preside over such meeting by itself/themselves.

**Article 76** Where the board of supervisors or shareholders decide to convene a shareholders' meeting by itself/themselves, it/they shall notify the Board in writing and file with the Shandong office of the CSRC and the stock exchange.

The shareholding of shareholders who convene the shareholders' meeting shall be no less than 10% before a resolution passed at the shareholders' meeting is announced. The convening shareholders shall, when the notice of shareholders' meeting is issued and a resolution made at the shareholders' meeting is announced, submit relevant evidential documents to the Shandong office of the CSRC and the stock exchange.

**Article 77** For the shareholders' meeting convened by the supervisory committee or shareholders on its/their own, the Board and the secretary to the Board shall cooperate. The Board shall provide the register of shareholders on the record date of the equity interests.

**Article 78** The procedure for convening of the shareholders' meeting convened by the supervisory committee or shareholders on its/their own shall be identical with that of the Board. Any necessary expenses incurred to convene the meeting shall be borne by the Company, and deducted from the amount payable by the Company to the defaulting Directors.

## **Section 4 Proposals and Notices of Shareholders' Meetings**

**Article 79** Proposal should carry specific subjects and matters to be resolved that fall within the scope of authority of the shareholders' meeting and comply with the requirement of laws, administrative regulations, and the Articles of Association.

**Article 80** Where the Company convenes a shareholders' meeting or meetings of the Board and the board of supervisors, shareholder(s) severally or jointly holding 3% or above shares of the Company may make proposals to the Company.

Shareholder(s) severally or jointly holding 3% or above shares of the Company may submit written provisional proposals to the convener 10 days before a shareholders' meeting is convened. The convener shall serve a supplementary notice of shareholders' meeting within 2 days after receipt of a proposal, and announce the contents of the proposal on the agenda.

Save as specified in the preceding paragraph, the convener shall not change the proposal set out in the notice of shareholders' meeting or add any new proposal after the said notice announcement is served.

Proposals which are not specified in the notice of the shareholders' meeting or which do not comply with Article 79 of the Articles of Association shall not be voted and resolved at the shareholders' meeting and become resolutions.

**Article 81** When the Company convenes an annual general meeting, an announcement of the meeting shall be given twenty (20) full business days before the date of the meeting to notify all of the shareholders, and when the Company convenes an extraordinary general meeting, an announcement of the meeting shall be given ten (10) full business days or fifteen (15) days (whichever is earlier) before the date of the meeting to notify all of the shareholders.

In determining the commencement date and the period, the date of the meeting convened shall be excluded.

**Article 82** A general meeting shall not decide on those matters not stated in the notice of meeting.

**Article 83** A notice of shareholders' meeting shall be made in writing and include the following content:

- (I) specify the date, the time and the place of the meeting;
- (II) state the matters and motions to be discussed at the meeting;
- (III) provide such information and explanations as are necessary for the shareholders to exercise a sensible judgment on the proposals. 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 copies of the proposed agreement, if any, and the cause and effect of such proposal must be properly explained;
- (IV) contain a disclosure of the nature and extent, if any, of the material interests of any Director, Supervisor, our General Manager or other member of senior management in the transaction proposed and the effect of the proposed transaction on them in their capacity as shareholders in so far as it is different from the effect on the interests of the shareholders of the same class;
- (V) contain the full text of any special resolution proposed to be voted at the meeting;
- (VI) contain conspicuously a statement that all shareholders are entitled to attend the shareholders' meeting and vote, and the shareholder may appoint a proxy in writing to attend the meeting and vote on his/her behalf and that a proxy need not be a shareholder of the Company;
- (VII) specify the time and place for delivering proxy forms for the relevant meeting;
- (VIII) specify the record date for determining the shareholders who are entitled to attend the shareholders' meeting;
- (IX) state the names and telephone numbers of the standing contact persons for the meeting;



Any notice and supplementary notice of shareholders' meetings shall sufficiently and completely disclose all contents of all motions in full. If any matter to be discussed requires opinions of the independent non-executive directors, the opinions and reasons of the independent non-executive directors shall be disclosed together with the issuance of such notice.

If a shareholders' meeting is held online or otherwise, the designated time and procedure for voting online or through other means shall be expressly stated in the notice of such meeting.

The interval between the shareholding record date of a shareholders' meeting and the date of the meeting shall not be more than 7 working days. The shareholding record date shall not be changed once confirmed.

**Article 84** In the event that matters involving the election of directors and supervisors are to be considered at the shareholders' general meeting, the notice of such general meeting shall fully disclose the detailed information of the candidates for such directors and supervisors, which shall at least include the following:

- (1) personal particulars including education background, working experience and any part-time job;
- (2) whether there is any connected relationship with the Company or its controlling shareholders and de facto controller;
- (3) disclosure of the shareholdings in the Company;
- (4) whether or not they have been penalized by CSRC and other relevant authorities and the stock exchange;
- (5) disclosable information in relation to the new appointment, re-election or re-designation of directors or supervisors as required by the Hong Kong Listing Rules.

Apart from directors and supervisors elected through the cumulative voting system, each candidate of director or supervisor shall be individually proposed.

**Article 85** Unless otherwise required in laws, regulations and the Articles of Association, notice of shareholders' general meeting shall be served on the shareholders (whether or not entitled to vote at the meeting), by personal delivery or prepaid mail to their addresses as shown in the register of shareholders.

For holders of A shares, notice of the meetings may be issued by way of announcement. The announcement shall be published in one or multiple newspapers designated by the securities supervisory authority of the State Council after the publication of such notice, the holders of A shares shall be deemed to have received the notice of the relevant shareholders' general meeting.

Notice of shareholders' general meeting can be issued to holders of H shares through announcement on the designated website of Hong Kong Stock Exchange and the Company website. After the publication of such notice, the holders of H shares shall be deemed to have received the notice of the relevant shareholders' general meeting.

**Article 86** The accidental omission to give notice of a meeting to, or the non-receipt of notice of a meeting by, any person entitled to receive notice shall not invalidate the proceedings at that meeting and the resolution adopted thereat.

**Article 87** After the notice of the general meeting is issued, the general meeting shall not be postponed or cancelled, and the motions set out in such notice shall not be cancelled without valid reasons. Where a general meeting has to be postponed or cancelled, the convener shall publish a public announcement at least 2 working days before the original date of the general meeting and state the relevant reasons.

## **Section 5 Holding of Shareholders' Meetings**

**Article 88** The board of directors of the Company and other convener shall take necessary measures to ensure the good order of the general meeting. Measures will be taken to deter any act disturbing the meeting, picking quarrels and provoking troubles or infringing the lawful rights and interests of any shareholder, and shall report in a timely manner such act to the relevant authority for investigation and punishment.

**Article 89** All shareholders listed on the register of shareholders on the shareholding record date or their proxies shall be entitled to attend the shareholders' general meeting and vote in accordance with relevant laws, regulations and the Articles of Association.

**Article 90** Any shareholder entitled to attend and vote at the shareholders' general meeting shall be entitled to appoint one or more other persons (whether a shareholder or not) as his/her proxy to attend and vote on his/her behalf, and a proxy so appointed shall:

- (1) have the same right as the shareholder to speak at the meeting;
- (2) have the right by himself or in conjunction with others to make a resolution by voting; and
- (3) have the right to vote by hand or on a poll, but a proxy of a shareholder who has appointed more than one proxy may only vote on a poll.

**Article 91** Individual shareholders attending a general meeting in person shall produce their identity cards or other valid proof or evidence of their identities as well as stock account cards and, in the case of attendance by proxies, the proxies shall produce valid proof of their identities and the proxy forms from shareholders.

Where a shareholder is a legal entity, its legal representative or a proxy entrusted by such legal representative shall attend a general meeting. In case of attendance by legal representatives, they shall produce their identity cards, valid proof of their capacities as legal representatives and stock account cards of shareholders who are legal persons; in the case of attendance by proxies of such legal representatives, such proxies shall produce their identity cards and, letters of authorization duly issued by such legal representatives and stock account cards of the appointing shareholders.

If the shareholder is a recognized clearing house (or their agent) as defined in the relevant laws and regulations of Hong Kong, he/she may authorize one or more proxy(ies) as he/she thinks fit to act as his/her proxy(ies) at any shareholders' general meeting or class meeting. However, if more than one proxy is appointed, the proxy form shall specify the number and class of shares represented by each of such proxies under the authorization. Authorization shall be signed by the authorized personnel of a recognized clearing house. Such authorized proxies are entitled to attend meetings and exercise the rights on behalf of the recognized clearing house (or their agent) (without presentation of evidence of their shareholding, notarized authorization and/or further proof demonstrating the duly granting of the same), as if they were the individual shareholders of the Company.

**Article 92** The instrument appointing a proxy shall be in writing under the hand of the appointing shareholder or his/her attorney duly authorized in writing; where the appointing shareholder is a legal person, such instrument shall be under its seal or under the hand of its directors or attorney duly authorized.

**Article 93** The proxy form to appoint a proxy to attend any general meeting by a shareholder shall contain the following:

- (1) Name of the proxy;
- (2) Indication of whether voting power is granted;
- (3) Instruction of voting “for”, “against” or “abstain” for each resolution proposed at any general meeting;
- (4) Date of signing the proxy form and the effective period for such appointment;
- (5) Signature (or seal) of the principal. If the principal is a corporate shareholder, the seal of the corporate shall be affixed.

**Article 94** Any instrument issued to a shareholder by the Directors for use in appointing a proxy to attend and vote at meetings of the Company shall be in such format as to enable the shareholder to instruct the proxy to vote in favor of or against the motions according to his/her free will, and instructions shall be given in respect of each individual matter to be voted on at the meeting. The instrument of proxy shall contain a statement that in the absence of instructions by the shareholder the proxy may vote as he/she thinks fit.

**Article 95** The instrument appointing a voting proxy shall be placed at the domicile of the Company or at such other places as specified in the notice of convening the meeting 24 hours prior to convening of the meeting at which the proxy is authorized to vote or 24 hours prior to the designated time of voting. Where the instrument is signed by another person authorized by the principal, the authorization letter or other documents authorizing the signatory shall be notarized. The notarized authorized letter or other authorized documents shall be placed together with the instrument appointing the voting proxy at the domicile of the Company or at such other places as specified in the notice of convening the meeting.

Where the principal is a legal person, its legal representative or the person authorized by resolution of its board of directors or other decision-making body shall be entitled to attend the Company’s general meetings as the representative of such legal person.

**Article 96** A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous death or loss of capacity of the appointer or revocation of the proxy or of the authority under which the proxy was executed, or the transfer of the shares in respect of which the proxy is given, provided that no notice in writing of such death, insanity, revocation or transfer as aforesaid shall have been received by the Company before the commencement of the meeting at which proxy is used.

**Article 97** A registration record for attendees at the meeting shall be compiled by the Company. The registration record shall contain items including but not limited to the names of the attendees (or names of organizations), identity card numbers, residential addresses, the number of shares held or voting rights represented and names of the principals (or name of organizations)

**Article 98** The convener and the lawyers engaged by the Company shall verify the validity of the qualifications of shareholders based on such shareholders' register as provided by the securities registration and clearing institution, and shall register the names of the shareholders as well as the amount of their voting shares. The registration for a meeting shall be completed before the chairman of the meeting announces the number of shareholders and proxies attending the meeting and the total number of their voting shares.

**Article 99** When a shareholders' general meeting is convened, all the directors, supervisors and the secretary to the board of directors of the Company shall attend the meeting, and general manager and other senior management shall be present at such meeting.

**Article 100** Where the shareholders' general meeting is convened by the board of directors, the chairman of the board of directors shall preside over the meeting. In the event that the chairman of the board of directors is unable or fails to perform his/her duties, the vice chairman shall preside over the meeting. In the event that the vice chairman of the board of directors is unable or fails to perform his/her duties, half or more of the directors shall designate a director to preside over the meeting.

If a shareholders' general meeting is convened by the supervisory committee, the chairman of the supervisory committee shall preside over the meeting. If the chairman of the supervisory committee is unable or fails to discharge his/her duties, half or more of the supervisors shall designate a supervisor to preside over the meeting.

If a shareholders' general meeting is convened by the shareholders themselves, the convener will nominate a representative to preside over the meeting.

When a shareholders' general meeting is convened, if the chairman of the meeting contravenes the rules of procedures, rendering the meeting impossible to proceed, with the consent from half or more of the attending shareholders with voting rights, one person may be nominated at the shareholders' general meeting to serve as the chairman and the meeting may proceed.

**Article 101** The board of directors of the Company shall formulate The Rules of Procedure for Shareholders' General Meetings, and specify in details the procedures for convening and voting at the shareholders' general meeting, including notice, registration, reviewing of proposals, voting, counting of votes, announcement of voting results, formation of meeting resolutions, minutes of meeting and their signing, public announcements as well as principle for the authorization granted to the board of directors by the shareholders' general meeting, and the authorization shall be clear and specific. The Rules of Procedure for Shareholders' General Meetings shall be appended to the Articles of Association. They shall be formulated by the board of directors and approved by the shareholders' general meeting.

**Article 102** At the annual general meeting, the board of directors and the supervisory committee shall report their work for the past year to the shareholders' general meeting. Each independent director shall also present a work report.

**Article 103** The directors, supervisors and senior management of the Company shall answer and explain inquiries and proposals made by shareholders at the general meeting except that the business secrets of the Company are involved and cannot be disclosed at the general meeting.

**Article 104** The chairman of the meeting shall, prior to voting, announce the number of shareholders and proxies attending the meeting in person as well as the total number of voting shares, which shall be the number of shareholders and proxies attending the meeting in person and the total number of their voting shares as indicated in the meeting's registration record.

**Article 105** Minutes of a general meeting shall be kept by the secretary of the board of directors. The minutes shall state the following contents:

- (1) Time, venue and agenda of the meeting and names of the convener;
- (2) The name of the meeting chairman and the names of the directors, supervisors and senior management attending or present at the meeting;
- (3) The numbers of shareholders and proxies attending the meeting, number of voting shares they represent and the percentages of their voting shares to the total share capital of the Company for each shareholder;
- (4) The process of review and discussion, summary of any speech and voting results of each proposal;
- (5) Shareholders' questions, opinions or suggestions and corresponding answers or explanations;
- (6) Names of lawyers, vote counters and scrutinizers of the voting;
- (7) Other contents to be included as specified in these Articles of Association.

**Article 106** The convener shall ensure that the contents of the minutes are true, accurate and complete. The directors, the supervisors, the secretary of the board of directors, the convener or representative thereof, and the chairman of the general meeting shall sign on the minutes of the meeting. The minutes of meeting shall be kept together with the attendance record of the attending shareholders, the power of attorney of the proxies and the valid information of online voting and other means of voting for a term of 10 years.

**Article 107** The convener shall ensure that the shareholders' general meeting be conducted continuously until final resolutions are made. If the shareholders' general meeting is suspended or resolutions cannot be made because of force majeure and other special causes, the convener shall take necessary measures to resume the meeting or directly terminate that meeting as soon as practicable followed by a timely public announcement. At the same time, the convener shall report to Shandong Bureau of China Securities Regulatory Commission and Stock Exchange. Should it be required otherwise by supervisory body of the place where the shares of the Company are listed, such requirements shall be complied with.

### **Section 6 Voting and Resolutions of Shareholders' Meetings**

**Article 108** Resolutions of general meetings shall be divided into ordinary resolutions and special resolutions.

To adopt an ordinary resolution, votes representing more than one half of the voting rights represented by the shareholders (including proxies) present at the meeting must be exercised in favour of the resolution for it to be passed.

To adopt a special resolution, votes representing more than two-thirds of the voting rights represented by the shareholders (including proxies) present at the meeting must be exercised in favour of the resolution for it to be passed.

**Article 109** The following matters shall be resolved by way of an ordinary resolution of the general meeting:

- (I) work reports of the Board and the supervisory committee;
- (II) plans for the distribution of profits and making up of losses drafted by the Board;
- (III) appointment or dismissal of the members of the Board and supervisory committee, remuneration and payment methods thereof;
- (IV) the Company's annual budget, final accounts, balance sheet, profit statement and other financial statements;
- (V) the annual report of the Company;
- (VI) the appointment or change of accountants' firm conducting auditing for the Company;
- (VII) matters other than those that laws, administrative regulations or the Articles of Association require to be passed by way of a special resolution.

**Article 110** The following matters shall be resolved by way of a special resolution of the general meeting:

- (I) increase or reduction of the Company's registered capital and issuance of any category of shares, warrants or other similar securities;
- (II) issuance of Company's bonds;
- (III) division, merger, dissolution and liquidation of the Company, or change in the corporate form of the Company;
- (IV) amendment of the Articles of Association;
- (V) amendment of the profit distribution plans drafted by the Board;
- (VI) any purchase or disposal of substantial assets made or guarantee provided by the Company within one year, the amount of which exceeds 30% of the total assets as presented in the latest audited consolidated financial statements of the Company;
- (VII) share incentive plans;
- (VIII) repurchase of the Company's shares;
- (IX) matters as required by laws, administrative regulations or the Articles of Association, or other matters that, as resolved by way of an ordinary resolution of the general meeting, may have a significant impact on the Company and require adoption by way of a special resolution.

**Article 111** Shareholders (including proxies) shall exercise their voting rights according to the number of voting shares they represent, with one vote for each share.

Where material issues affecting the interests of small and medium investors are being considered at the general meeting, the votes by small and medium investors shall be counted separately. The separate counting results shall be publicly disclosed in a timely manner.

Small and medium investors refer to other shareholders of the Company excluding the following:

- (I) shareholders and persons acting in concert with them who hold 5% or more of the Company's shares;
- (II) directors, supervisors, senior management officers and their related persons who hold the shares in the Company.



Shares in the Company which are held by the Company do not carry any voting rights, and shall not be counted in the total number of voting shares represented by shareholders present at a shareholders' general meeting.

The Board, independent non-executive directors and qualified shareholders may collect voting rights from shareholders. Shareholders' voting rights shall be solicited with sufficient disclosure of the concrete voting intention to the owner of the voting rights. Consideration or defacto consideration for soliciting shareholders' voting rights is prohibited. The Company shall not set a minimum shareholding ratio threshold for soliciting the voting rights.

**Article 112** When a related transaction is considered at a general meeting, the related shareholders shall not vote, and the voting shares held by them shall not be counted in the total number of voting shares; the announcement of any resolution made at the general meeting shall adequately disclose information relating to voting by non-related shareholders.

When is considering and voting on the connected transactions, the avoidance and voting procedures of the related shareholders at the general meeting are:

- (I) A matter considered by the general meeting relates to a shareholder, the related shareholder shall disclose his/her relationship to the Board before convening of the general meeting;
- (II) When the general meeting is considering the related matters, the presider announces the relationship between the related shareholder and the related transaction, and expressly announces the related shareholders to avoid, and the related transaction shall be considered and voted by the non-related shareholders;
- (III) The resolution so reached for the related matter shall be approved by more than half of the voting shares of all non-related shareholders;
- (IV) Where the related shareholders fail to disclose related information or avoid for the related matter based on the above procedures, the general meeting has the right to revoke all resolutions in respect of the related matter.

**Article 113** The Company shall, subject to the shareholders' general meetings being legally and validly held, make it convenient for the shareholders to attend the general meetings through various means, including using modern information technology to establish an online voting platform.

**Article 114** Without a prior approval by way of special resolution is obtained in a general meeting, the Company shall not enter into any contract with any person other than the directors, general managers and other senior management members whereby the management and administration of the whole or any substantial part of the business of the Company is to be handed over to such person, save for special circumstances such as the Company is in a crisis.

**Article 115** The list of candidates for director and supervisor shall be proposed to the general meeting for voting.

When voting on the election of 2 or more directors or supervisors, the general meeting may implement accumulative voting system.

Accumulative voting system referred to in the preceding paragraph means a system whereby each share, in an election of directors or supervisors at a general meeting, carries the number of voting rights equivalent to the number of the directors or supervisors to be elected, and a shareholder may concentrate his voting rights. The Board shall make available to the shareholders the resume and general information of the candidates for directors and supervisors in an announcement.

The procedures for election of directors or supervisors are as follows:

- (I) The Board and shareholders severally or jointly holding 3% or above shares of the Company shall be entitled to nominate a candidate for director of the Company (excluding independent directors). The supervisory committee and shareholders severally or jointly holding 3% or above shares of the Company shall be entitled to nominate a candidate for shareholders representing supervisor of the Company. Candidates for director and supervisor nominated by shareholders shall be submitted to the Board or convener of meeting in writing 10 days prior to the convening of the general meeting.
- (II) The Board, the supervisory committee or shareholders severally or jointly holding 1% or above issued shares of the Company may propose a candidate for independent non-executive director but the number of such candidates nominated by shareholders shall be in conformity with the proportion specified in the preceding paragraphs. The nomination of independent non-executive directors shall also comply with the relevant laws, administrative regulations and department rules.
- (III) The final candidates for directors (including independent non-executive directors) and supervisors shall be determined by the Board and the supervisory committee which shall in turn be responsible for examining the qualifications of candidates.
- (IV) The Board must submit to the general meeting the list of the above candidates for director and supervisor for considering and reviewing, in the form of separate proposal.
- (V) The detailed information on candidates' proposal and resume shall be disclosed in the notice to convene the general meeting to ensure that shareholders have sufficient knowledge about the candidates before they vote.

- (VI) Prior to the convening of the general meeting, candidates for director and supervisor shall provide a written undertaking to accept such nomination and that the information on candidates disclosed by the nominator is true and complete and guarantee that they shall perform statutory duties upon election.
- (VII) When considering the proposals on election of directors and supervisions, the general meeting shall vote on each candidate for director and supervisor. If passed, such director and supervisor shall take office once the meeting concludes.

Differential voting shall be applied upon election of the directors and supervisors in accordance with the accumulative voting system. The number of nominees shall be more than the proposed number of directors and supervisors. Upon the election of directors, the independent non-executive directors and the non-independent directors shall be elected and voted separately.

When electing two or more independent non-executive directors, each shareholder shall be entitled to such number of votes as shall be equal to the number of shares held by such shareholder multiplied by the number of independent non-executive directors upon whom he can vote. Such votes may only be voted for the candidates of the independent non-executive directors, and the candidates who have the most votes shall be appointed.

When electing two or more non-independent directors, each shareholder shall be entitled to such number of votes as shall be equal to the number of shares held by such shareholder multiplied by the number of non-independent directors upon whom he can vote. Such votes may only be voted for the candidates of the non-independent directors, and the candidates who have the most votes shall be appointed.

The number of candidates for independent non-executive directors and non-independent directors may exceed that of directors to be elected. Each voting shareholder must distribute his votes to candidates he has chosen but the number of candidates shall be no more than that of directors to be elected and the aggregate number of votes distributed shall be no more than the number of votes he owns. Otherwise such vote shall become invalid.

The Company shall take a full consideration of such factors in producing the voting form for election of directors and supervisors and advise voters to pay attention to the above matters in a prominent place.

The final candidate for director and supervisor shall be determined based on the number of votes, but the minimum votes of each director and supervisor so elected must exceed one half of the shares held by shareholders present at the general meeting. However, another voting shall be conducted on the director and supervisor candidates with insufficient votes. If such candidates still fail to have enough votes in such voting, the directors and supervisors for such vacancies shall be elected at the next general meeting. If the votes are equal but only one candidate can be elected to the Board, re-vote shall be conducted between two candidates.

**Article 116** Save under the cumulative voting system, the general meeting shall resolve on all the proposals separately; in the event of several proposals for the same issue, such proposals shall be voted on and resolved in the order of time at which they are submitted. Unless the general meeting is adjourned or no resolution can be made for special reasons such as force majeure, voting of such proposals shall neither be shelved nor refused at the general meeting.

**Article 117** No amendment shall be made to a proposal when it is considered at a general meeting, otherwise, the relevant amendment shall be deemed as a new proposal and shall not be voted on at the general meeting.

**Article 118** The same voting right can only be exercised in only one form: onsite, over the network, or otherwise. Where the same voting right is exercised more than once, the voting result of the first time shall prevail.

**Article 119** Unless the chairman makes a decision in the spirit of honesty and credibility and agrees that the resolutions on relevant procedures or administrative matters shall be voted on by show of hands, voting for a general meeting shall be held by ballot.

For voting by show of hands, a declaration by the chairman of the meeting that a resolution has on a show of hands been carried, and an entry to that effect in the minutes of the meeting shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favor or against such resolution at the meeting.

**Article 120** On a poll taken at a meeting, a shareholder (including proxy) entitled to two or more votes need not cast all his votes in the same way.

**Article 121** In the case of an equality of votes, whether on a show of hands or on a poll, the chairman of the meeting at which the show of hands takes place or at which the poll is demanded shall be entitled to one additional vote.

**Article 122** When proposals are voted on at the general meeting, two shareholders' representatives shall be appointed to count, and monitor counting of, the votes. Where any shareholder has interests in any issue considered, the said shareholder or proxy thereof shall not participate in counting and monitoring of ballots.

When proposals are voted on at the general meeting, the lawyer, shareholders' representative and supervisors' representative shall be jointly responsible for the counting and monitoring of the ballots and shall announce the voting results on the spot, voting results of which shall be recorded in the meeting minutes.

Shareholders of companies or proxies thereof voting over the network shall have the right to check their voting results via the corresponding voting system.

**Article 123** A general meeting shall not conclude earlier at the venue than over the network, and the presider shall announce the voting result of every proposal and announce whether the proposal is passed or not according to the voting result.

Before the voting result is announced, the relevant parties including the listed company, counting officer, monitoring officer, major shareholders and network service provider involved at the venue, over the network or otherwise shall have the confidentiality obligation.

**Article 124** A shareholder attending a general meeting shall express one of the following opinions on any proposal to be voted on: pro, con or abstention, unless securities registration and settlement institutions, as the nominal holders of shares that can be traded through Shanghai-Hong Kong Stock Connect, make declarations according to the intention of actual holders.

Blank, wrong, illegible or uncast votes shall be deemed as the voters' waiver of their voting rights, and the voting results representing the shares held by such voters shall be counted as "abstentions".

Where any shareholder is, under the Hong Kong Listing Rules, required to abstain from voting for any resolution or restricted to voting only for or only against it, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

**Article 125** If the presider has any doubt as to the result of a resolution which has been put to vote at the general meeting, he may have the ballots counted. If the presider has not counted the ballots, any shareholder who is present in person or by proxy and who objects to the result announced by the presider may, immediately after the declaration of the voting result, demand that the ballots be counted and the presider shall have the ballots counted immediately.

If ballots are counted at a general meeting, the counting result shall be recorded in the meeting minutes. The minutes together with the attendance record of shareholders and the powers of attorney of the proxies shall be kept at the domicile of the Company.

**Article 126** Resolutions of the general meeting shall be announced in due time according to the relevant laws, regulations, departmental rules, regulatory documents, regulations of the securities regulatory authorities of the place where the shares of the Company are listed or the Articles of Association. The announcement shall specify the number of attending shareholders and their proxies, the total number of voting shares they represent and the proportion of these shares to the total number of the voting shares of the Company, the total number of shares required to abstain from voting in the concurring votes and/or voting as requested by the securities regulatory authorities of the place where the shares of the Company are listed to individual proposals (if any), whether the shareholder who is required to abstain from voting has given up the voting right, the voting method, the voting result of each resolution and the details of each of the resolutions passed.

**Article 127** Where a proposal has not been passed or the resolutions of the preceding general meeting have been changed at the current general meeting, special mention shall be made in the announcement of the resolutions of the general meeting.

**Article 128** Where a proposal on election of directors or supervisors is passed at the general meeting, the term of office of a new director or supervisor shall commence on the date on which resolutions of the shareholders' general meeting are approved.

**Article 129** Where a proposal on cash dividends, bonus shares or increase of share capital by way of transfer from capital reserves, the Company shall implement the specific scheme within two months after conclusion of the general meeting.

**Article 130** Shareholders may examine photocopies of the minutes of meetings during the Company's office hours free of charge. If any shareholder requests for a photocopy of the relevant minutes of meetings, the Company shall send such photocopies within 7 days upon receipt of the payment for reasonable charges.

#### **Section 7 Special Procedures for Voting at Class Meetings**

**Article 131** Shareholders who hold different classes of shares shall be shareholders of different classes. Shareholders of different classes shall enjoy rights and undertake obligations in accordance with the laws, administrative regulations and the Articles of Association.

Apart from the holders of other classes of shares, holders of domestic shares and holders of overseas listed foreign shares shall be considered as different classes of shareholders.

**Article 132** Rights conferred on any class of shareholders in the capacity of shareholders may not be varied or abrogated unless approved by a special resolution of shareholders' general meeting and by holders of shares of that class at a separate meeting conducted in accordance with Article 134 to 138 stipulated in the Articles of Association.

**Article 133** The following circumstances shall be deemed to be variation or abrogation of the class rights of a class:

- (I) to increase or decrease the number of shares of such class, or increase or decrease the number of shares of class having voting or equity rights or privileges equal or superior to those of the shares of such class;

- (II) to effect an exchange of all or part of the shares of such class into shares of another class or to effect an exchange or create a right of exchange of all or part of the shares of another class into the shares of such class;
- (III) to remove or reduce rights to accrued dividends or rights to cumulative dividends attached to shares of such class;
- (IV) to reduce or remove a dividend preference or a liquidation preference attached to shares of such class;
- (V) to add, remove or reduce conversion privileges, options, voting rights, transfer, preemptive rights, or rights to acquire securities of the Company attached to shares of such class;
- (VI) to remove or reduce rights to receive payment payable by the Company in particular currencies attached to shares of such class;
- (VII) to create a new class having voting or equity right or privileges equal or superior to those of the shares of such class;
- (VIII) to restrict the transfer or ownership of the shares of such class or add to such restriction;
- (IX) to issue rights to subscribe for, or convert into, shares in the Company of such class or another class;
- (X) to increase the rights or privileges of shares of another class;
- (XI) to restructure the Company where the proposed restructuring will result in different classes of shareholders bearing a disproportionate burden of such proposed restructuring;
- (XII) to vary or abrogate provisions in the Articles of Association.

**Article 134** Shareholders of the affected class, whether or not otherwise having the right to vote at general meetings, shall nevertheless have the right to vote at class meetings in respect of matter concerning (II) to (VIII), (XI) and (XII) of Article 133 in the Articles of Association, but interested shareholder (as defined below) shall not be entitled to vote at class meetings.

The meaning of “interested shareholder” in the preceding paragraph is:

- (I) in the case of a repurchase of shares by offers to all shareholders pro rata according to Article 30 under the Articles of Association or public dealing on a stock exchange, a “controlling shareholder” within the meaning of Article 281 stipulated in the Articles of Association;
- (II) in the case of a repurchase of shares by an off-market contract according to Article 30 provided in the Articles of Association, a holder of the shares to which the proposed contract relates;
- (III) in the case of a restructuring of the Company, a shareholder within a class who bears less than a proportionate burden imposed on that class under the proposed restructuring or who has an interest in the proposed restructuring different from the interest of shareholders of that class.

**Article 135** Resolutions of a class meeting shall be passed by votes representing more than two-thirds of the voting rights of shareholders of that class represented at the relevant meeting who are entitled to vote at class meetings in accordance with Article 134 provided in the Articles of Association.

**Article 136** When the Company is to hold a class meeting, it shall issue a written notice within the time limit to convene an annual general meeting or an extraordinary general meeting as stipulated in Article 81 under the Articles of Association informing all the registered shareholders of that class of the matters to be considered at the meeting as well as the date and venue of the meeting.



**Article 137** Notice of class meetings need only be served on shareholders entitled to vote thereat.

Any class meetings shall be conducted in a manner as similar as possible to that of general meetings. The provisions of the Articles of Association relating to the manner of conducting any general meeting shall apply to any class meeting.

**Article 138** The special procedures for voting at a class of shareholders shall not apply in the following circumstances:

- (I) where the Company issues domestic shares and overseas-listed foreign invested shares, upon the approval by a special resolution of its shareholders' general meeting, either separately or concurrently once every 12 months, not exceeding 20% of each of its existing issued;
- (II) where the Company's plan to issue domestic shares and overseas-listed foreign invested shares at the time of its establishment is carried out within 15 months from the date of approval of the securities regulatory authority under the State Council;
- (III) Upon approval by the securities regulatory authority under the State Council, the holders of domestic shares of the Company transfer the shares they hold to overseas investors and trade them in overseas stock exchanges.

## CHAPTER 5 BOARD OF DIRECTORS

### Section 1 Directors

**Article 139** Directors shall be elected or changed by the general meeting, and may be removed from his office by the general meeting by an ordinary resolution in accordance with relevant laws and administrative regulations prior to the maturity of his term (but the director's right to claim damages based on any contract shall not be affected). The term of office of a director is 3 years. A director may serve consecutive terms if re-elected.

That the minimum length of the period, during which notice to the Company of the intention to propose a person for election as a director and during which notice to the Company by such person of his willingness to be elected may be given, will be at least 7 days (the period will commence no earlier than the day after the despatch of the notice of the general meeting and end no later than 7 days prior to the date of such meeting).

A director's term of service commences from the date he takes office, until the current term of service of the Board ends. A director shall continue to perform his/her duties as a director in accordance with the laws, administrative regulations, departmental rules and the Articles of Association until a re-elected director takes office, if re-election is not conducted in a timely manner upon the expiry of his/her term of office.

Any person appointed by the Board to fill a temporary vacancy on or as an addition to the Board shall hold office only until the next following general meeting of the Company, and shall then be eligible for re-election.

The general manager or other senior officers may concurrently serve as a director, provided that the aggregate number of the directors who concurrently serve as general manager or other senior officers shall not exceed one half of all the directors of the Company.

No employee representative(s) can serve as a director in the Board of the Company. A director is not required to hold shares of the Company.

**Article 140** The directors shall comply with the laws, administrative regulations and the Articles of Association and shall faithfully perform their following obligations to the Company:

- (I) not to abuse their rights to accept bribes or other illegal income and not to misappropriate the properties of the Company;
- (II) not to misappropriate the money of the Company;

- (III) not to deposit any assets or money of the Company in any accounts under their names or in the names of other persons;
- (IV) not to violate the Articles of Association and lend the money of the Company to others or provide guarantee to others by charging the Company's assets without approval of the general meetings or the Board;
- (V) not to enter into contracts or transactions with the Company in violation of the Articles of Association or without approval of the general meeting;
- (VI) not to use their position to obtain business opportunities which should be available to the Company for themselves or others, or to run his/her own or others' business which is similar to the Company's business without approval of the general meeting;
- (VII) not to accept commissions in relation to transactions between any third party and the Company;
- (VIII) not to disclose the secrets of the Company without consent;
- (IX) not to use their connections to harm the interests of the Company;
- (X) to be bound by other duties of loyalty stipulated by the laws, administrative regulations, departmental rules and the Articles of Association.

The Company shall be entitled to the income gained by the directors in violation of this Article; the director shall be liable for compensation if any loss is caused to the Company.

**Article 141** The directors shall comply with the laws, administrative regulations and the Articles of Association and shall diligently perform their following obligations to the Company:

- (I) to exercise prudently, conscientiously and diligently the rights granted by the Company to ensure that the Company's commercial activities are in compliance with the laws, administrative regulations and the requirements of economic policies of China and that its commercial activities are within the scope stipulated in the business license;
- (II) to treat all shareholders equally and fairly;

- (III) to understand the operation and management of the Company in a timely manner;
- (IV) to approve regular reports of the Company in written form and to ensure the integrity, accuracy and completeness of the information disclosed by the Company;
- (V) to provide all relevant information and materials required by the supervisory committee and shall not intervene the performance of duties of the supervisory committee or supervisors;
- (VI) to perform other obligations of diligence stipulated by the laws, administrative regulations, departmental rules and the Articles of Association.

**Article 142** A director who fails to attend two consecutive meetings of the Board in person or by proxy shall be deemed as unable to perform his/her duties. The Board shall propose to the general meeting for removal of such director.

**Article 143** A director may resign before expiry of his/her term of service. When a director resigns, he shall submit a written resignation notice to the Board. The Board shall make relevant disclosure within 2 days.

If the member of directors falls below the minimum statutory requirement due to a director's resignation, the former directors shall still perform their duties as directors in accordance with the requirements of laws, administrative regulations, departmental rules and the Articles of Association before the appointment of the re-elected directors.

Save for the circumstances referred to in the preceding paragraph, the director's resignation takes effect upon delivery of his/her resignation report to the Board.

**Article 144** When a director's resignation takes effect or his/her term of service expires, the director shall complete all transfer procedures with the Board. His/her duties towards the Company and the shareholders do not necessarily cease before the resignation letter becomes effective or within a reasonable period after it has become effective, and within a reasonable period after the end of his/her term of service. The duty of confidentiality in respect of trade secrets of the Company shall still be in effect after the end of his/her term of office, until such trade secrets become publicly available information. Other duties may continue for such period as the principle of fairness may require, depending on the length of time which has elapsed between the occurrence of the event concerned and the termination of tenure, and the circumstances and terms under which the relationships between them and the Company have been terminated.

**Article 145** Unless legally authorized by the Articles of Association or the Board, no director shall act on behalf of the Company or the Board. When a director acts in his/her own name and a third party reasonably considers such director acts on behalf of the Company or the Board, such director shall declare in advance his/her position and capacity.

**Article 146** A director shall be personally liable for any loss suffered by the Company as a result of a violation by him of any laws, administrative regulations, departmental rules or the Articles of Association in the course of performing his/her duties.

**Article 147** The Company shall appoint independent non-executive directors. Unless otherwise specified herein, the provisions on qualification and obligations for directors set out in Chapter 9 of the Articles of Association shall apply to independent non-executive directors. Independent non-executive directors of the Company shall comprise at least one professional accountant. Independent non-executive directors shall faithfully execute their duties and protect the Company's interests, especially ensuring that the legal rights and interests of public shareholders will not be infringed and the interests of all shareholders will be adequately represented.

Independent non-executive directors may directly report to the general meeting, the securities regulatory authority under the State Council and other relevant authorities.

Save as otherwise required by the laws, regulations and the listing rules of the stock exchange of the place where the shares of the Company are listed, the terms of office of independent non-executive directors shall be three years, renewable upon re-election, but shall not exceed six years.

## **Section 2 Board of Directors**

**Article 148** The Company shall have a Board accountable to the general meeting.

**Article 149** The Board shall comprise 9 directors and shall have one Chairman and one vice chairman. More than one third of the members of the Board shall be independent non-executive directors and at least one of the independent non-executive directors must have appropriate professional qualifications that meet the regulatory requirements or possesses appropriate accounting or related financial management expertise.

**Article 150** The Board shall exercise the following functions and powers:

- (I) to convene general meetings and report to general meetings;
- (II) to implement resolutions of general meetings;
- (III) to resolve on the Company's business plans and investment plans;
- (IV) to prepare the annual financial budgets and final accounting plans of the Company;
- (V) to prepare the profit distribution plan and loss makeup plan of the Company;
- (VI) to formulate proposals for the Company in respect of increase or reduction of registered capital, issue of bonds or other securities and the listing thereof;
- (VII) to formulate plans for material acquisitions, purchase of shares of the Company, merger, division, dissolution or transformation of the Company;
- (VIII) to determine, within the authority granted by the general meeting, such matters as external investment, acquisition and disposal of assets, asset mortgage, external guarantee, consigned financial management, connected transactions, etc.;
- (IX) to decide on the establishment of internal management organizations of the Company;
- (X) to appoint or dismiss the general manager and secretary to the Board of the Company; to appoint or dismiss senior management officers including deputy general manager(s) and the person in charge of finance of the Company in accordance with the nominations by general manager, and to determine their remunerations, rewards and penalties;
- (XI) to set up the basic management system of the Company;
- (XII) to formulate the proposals for any amendment to the Articles of Association;
- (XIII) to manage information disclosure of the Company;
- (XIV) to propose to the general meeting the appointment or replacement of the accounting firms which provide audit services to the Company;
- (XV) to listen to work reports of the general manager and review his/her work;
- (XVI) to exercise other functions and powers as stipulated by laws, administrative regulations, department rules or the Articles of Association.

Matters beyond the scope of authorization of the general meeting should be submitted to the general meeting for consideration.

The Board may resolve on the issues specified in the above paragraphs by approval of more than half of the directors save for the issues specified in (VI), (VII) and (XII), for which approval of more than two-thirds of the directors is required.

**Article 151** The Board shall explain to the general meeting regarding the non-standard auditors' advice given by certified accountant in relation to the financial report of the Company.

**Article 152** The Board shall formulate the rules of procedure for meetings of the Board to ensure the implementation by the Board of the resolutions of general meeting, to improve efficiency and to have scientific decision-making.

**Article 153** The Board shall formulate stringent examination and approval system to determine the authority with respect to external investment, acquisition and disposal of assets, mortgage of assets, external guarantee, entrusted wealth management and connected transactions of the Company. Specialists or professionals shall be retained to evaluate major investment projects and report to general meeting for approval.

The board of directors has the right to approve the following major matters:

1. The Company's purchase or disposal of major assets within one year with the aggregate amount not exceeding 30% of the latest audited total assets of the Company.
2. The scope of authority for external guarantee: provision of any external guarantee by the Company and its controlling subsidiaries with the aggregate amount not exceeding 50% of the latest audited net assets of the Company; provision of any external guarantee by the Company with the aggregate amount not exceeding 30% of the latest audited total assets of the Company; provision of guarantee to anyone with gearing ratio not exceeding 70%; provision of any single guarantee not exceeding 10% of the latest audited net assets;

Any such guarantees to be approved by the board of directors must be approved by a resolution passed by more than two-thirds of the directors present at the relevant board meeting.

For external guarantees outside the scope of authority shall be considered and approved by the board of directors before submission to the shareholders' meeting. The Company shall neither provide guarantees in favour of a unit without legal person status nor an individual. The Company shall require the parties guaranteed to provide counter indemnity and the party providing the counter indemnity must possess actual performance ability.

For external guarantees considered and approved by the board of directors, the Company must promptly disclose them in the newspapers designated by the CSRC and the Company for information disclosure purpose. The contents to be disclosed shall include the respective resolutions passed by the board of directors, the aggregate amount of external guarantees provided by the Company and its controlling subsidiaries as at the date of disclosure, the aggregate amount of guarantees provided by the Company to its controlling subsidiaries.

3. To consider and approve major transactions and connected transactions that shall be considered and approved by the board of directors in accordance with the listing rules of the jurisdiction in which the securities of the Company are listed.

Article 154 The board of directors shall not dispose of or agree to dispose of any fixed assets without approval by the general meeting if the sum of the expected value of the fixed assets to be disposed of and the value derived from the disposal of fixed assets within four months before such proposal to dispose of the fixed assets exceeds 33% of the value of the fixed assets as shown on the latest audited balance sheet considered and approved by the general meeting.

Disposals of the fixed assets mentioned herein include transfer of certain asset interests, but do not include guarantee provided by pledge of fixed assets.

The effectiveness of the Company's disposal of the fixed assets shall not be affected by any breach of the foregoing provisions in Paragraph 1 herein.

Article 155 The board of directors has one chairman and one vice chairman who shall be elected by the board of directors with more than half of all directors.

Article 156 The chairman of the board shall exercise the following powers:

- (I) to preside over shareholders' general meetings, and convene and preside over meetings of the board of directors;
- (II) to supervise and check the implementation of resolutions passed by the board of directors;
- (III) to sign the share certificates, corporate bonds and other securities issued by the Company;
- (IV) to sign the important documents of the board of directors and other documents which shall be signed by the Company's legal representative;



- (V) to exercise the rights of the legal representative;
- (VI) in the event of emergency situations such as the occurrence of large-scale natural disasters, to take special steps in handling the Company's business according to the laws and the Company's interest; and to report to the Company's board of directors and shareholders' general meeting afterwards;
- (VII) to exercise other powers conferred by the board of directors

Article 157 Where the chairman is unable to or does not perform the duty, the vice chairman shall perform the duty, where the vice chairman is unable to or does not perform the duty, a director nominated by more than half of the directors shall perform the duty.

**Article 158** Board meetings include regular meetings and extraordinary meetings. Regular board meetings shall be held at least four times a year and shall be convened by the chairman. Notice of a regular board meeting shall be given to all directors and supervisors at least 14 days in advance. Regular board meetings shall not be convened by way of correspondence.

**Article 159** An extraordinary board meeting may be held by request of shareholders representing more than 10% of the voting rights or by request of more than one-third directors, supervisors or general managers. The chairman shall convene and preside over a board meeting within 10 days after receipt of the proposal.

**Article 160** A notice of extraordinary meeting of the board of directors shall be delivered by telephone or written notice; the time limit for the delivery of such notice is at least 5 days before the meeting.

**Article 161** A notice of board meeting shall contain the following contents:

- (I) date and place of the meeting;
- (II) duration of the meeting;
- (III) cause and topic;
- (IV) date of notice.

**Article 162** The board meeting shall be held upon the attendance of more than half of directors. A resolution of the board of directors must be passed by more than half of all directors of the Company.

Resolutions of the board of directors are voted by way of poll with each director having one vote. Where there is an equality of votes cast both for and against a resolution, the chairman of the board of directors shall have a casting vote.

**Article 163** If any director has connection with the enterprise involved in the resolution made at a board meeting, the said director shall not vote on the said resolution for himself or on behalf of another director. The board meeting may be held when more than half of the non-connected directors attend the meeting. The resolution of the board meeting shall be passed by more than half of the non-connected directors. If the number of non-connected directors attending the meetings is less than three, the issue shall be submitted to the general meeting for consideration.

**Article 164** Resolutions of the board of directors may be decided on a poll or show of hands or a written opinion.

As long as all directors can fully express their opinions, an extraordinary meeting of the board of directors may be held by way of facsimile, during which resolutions may be passed and signed by participating directors.

**Article 165** Directors shall attend the meetings of the board of directors in person. Where a director is unable to attend a meeting for any reason, he/she may, by a written power of attorney, appoint another director to attend the meeting on his/her behalf. The power of attorney shall set out the name of the attorney, issues under authorisation, scope of authorisation and valid period, which will be signed or sealed with the chop by the appointing director. A Director appointed as a representative of another director to attend the meeting shall exercise the rights of a director within the scope of authority conferred by the appointing director. Where a director is unable to attend a meeting of the board of directors 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 the meeting.

**Article 166** The board of directors shall keep minutes of resolutions passed at meetings of the board of directors. The minutes shall be signed by the directors present at the meeting.

If a resolution of the board of directors violates the laws, administrative regulations or the Articles of Association and the Company suffers serious losses as a result thereof, the directors who participated in the passing of such resolution are liable to compensate the Company therefor. However, if it can be proven that a director expressly objected to the resolution when the resolution was voted on, and that such objection was recorded in the minutes of the meeting, such director may be released from such liability.

Minutes of the board meeting shall be kept as the Company's record for a period of ten years.

**Article 167** The minutes of a board meeting shall include the following contents:

- (I) date and place of the meeting and name of the convener;
- (II) names of the directors attending the meeting and names of the directors (proxies) appointed by others to attend the board meeting;
- (III) agenda of the meeting;
- (IV) main points of directors' speeches;
- (V) method and results of the voting for each proposal (the voting result should specify the number of votes for and against the proposal or abstention).

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

**Article 168** The Board of the Company has established the audit committee, the strategy committee, the nomination committee and the remuneration and appraisal committee, which shall be accountable to the Board and perform their duties in accordance with the Articles of Association and the authorization of the Board. The proposals of the special committee, shall be submitted to the Board for consideration and decision. The special committees are all comprised of directors. In particular, the members of the audit committee are comprised of directors and all independent non-executive directors, and at least one of the independent non-executive director must have appropriate professional qualifications that meet the requirements provided in the Hong Kong Listing Rules or possesses appropriate accounting or related financial management expertise. The convener of the audit committee shall be accounting professional. The majority of the members of the nomination committee, remuneration and appraisal committee are independent non-executive directors who are also the convenors.

The board of directors is responsible for formulating the rules of procedure of the special committees, and regulating the operation of the special committees.

**Article 169** These special committees are ad hoc committees under the board of directors which provide advice or advisory opinions to the board of directors on material decisions. The special committees shall not make any decision in the name of the board of directors. However, the committees may exercise decision-making power in respect of the authorized matters in accordance with a special power given by the board of directors.

**Article 170** The primary responsibilities of the strategy committee include:

- (I) to study the Company's long-term development strategy plans and make recommendations;
- (II) to study major investment financing programs which requires to be approved by the board of directors as stated in the Articles of Association and make recommendations;
- (III) to study major capital operation and assets management projects which requires to be approved by the board of directors as stated in the Articles of Association and make recommendations;
- (IV) to study other important matters affecting the Company's development and make recommendations;
- (V) to review the implementation of the above matters;
- (VI) to handle other matters delegated by the board of directors.

**Article 171** The primary responsibilities of the audit committee include:

- (I) to make proposals to the board of directors regarding appointment, reappointment and dismissal of external auditors, make recommendations to the board of directors and approve the remuneration and terms of engagement of the external auditors, and deal with all matters of the resignation or dismissal of external auditors;
- (II) to review and monitor the independence and objectivity of external auditors and the effectiveness of the audit process in accordance with applicable standards. The committee shall discuss with the external auditors the nature, scope and method of the audit and reporting requirements before the audit commences;

For the purpose of independent inspection of external auditors, the committee shall perform the followings: to examine the relation between the Company and the auditors (including non-audit services); to examine the materials provided by the auditors to understand the policies and procedures adopted by the auditors for maintaining its independence and effectiveness of such policies and procedures, including the rules for change of partners and executives of external auditors; to meet the external auditors at least once a year without the presence of the management of the Company for the discussion of audit fees and related matters, any matters in connection with audit works and other matters raised by the auditors;

- (III) to formulate and implement policies relating to the engagement of external auditors for non-audit services. For the purpose of this clause, external auditors include any entity under common control, ownership or management with the auditors and any entity that a reasonable and informed third party would reasonably conclude to be part of the local or international operation of the auditors. The committee shall advise the board of directors on necessary actions or improvements and measures to be taken;
- (IV) to supervise the internal audit system of the Company and its implementation, examine the truthfulness, completeness and accuracy of the financial statements, annual reports and accounts, half-year reports and quarterly reports (if any) of the Company, and review important opinions regarding financial reporting in such statements and reports. Special attention should be paid to the risk of any frauds, mal-practices and major mistakes in relation to financial statements and reports. When reviewing the annual reports and accounts, half-yearly and quarterly reports of the Company before submission to the board of directors, the committee shall focus on the following matters:
1. changes in accounting policies and practices;
  2. major judgment;
  3. significant adjustments resulting from audit;
  4. the on-going concern assumption and qualified opinions;
  5. compliance with accounting standards;
  6. compliance with the Hong Kong Listing Rules and legal requirements in relation to financial reporting.
- (V) for the purpose of paragraph (IV) above,
1. the committee members shall discuss with the board of directors and the senior management. The committee shall meet with the external auditor at least twice a year;
  2. the committee shall consider any significant and unusual items that are, or may need to be, reflected in such reports and accounts, and shall give consideration the matters raised by the staff responsible for accounting and financial reporting function, compliance officer or the external auditors;

- (VI) to liaise with the internal audit department and the external auditors so as to coordinate their works, to ensure that the internal audit function is provided with sufficient resources and has appropriate standing in the Company, and to review the effectiveness of internal audit function;
- (VII) to review financial information and its disclosure of the Company;
- (VIII) to review the financial control, internal control and risk management systems of the Company and conduct audits on material connected transactions; and
- (IX) to discuss with the management on risk management and internal control system to ensure that the management has performed its duty to maintain an effective risk management and internal control system. Considerations should be given to, among others, the adequacy of resources, qualifications, experience and training of staff and budgets pertaining to the accounting and financial reporting functions; to supervise the effectiveness and self-assessment of internal control; to coordinate internal control and audit as well as the improvement of internal control and other related matters;
- (X) to review major investigation findings on risk management and internal control and the management's response to these findings on its own initiative or as delegated by the board of directors;
- (XI) to review the financial and accounting policies and practices of the Group;
- (XII) to review the external auditor's audit letter to the management, major queries raised by the external auditors about accounting records, financial accounts or control systems and the response of the management;
- (XIII) to ensure that the board of directors will provide a timely response to the issues raised in the external auditor's audit letter;
- (XIV) to review the following arrangements of the Company: the employees of the Company can, in confidence, raise concerns about possible irregularities in financial reporting, internal control or other matters. The committee shall ensure that proper arrangements are in place for the Company to conduct fair and independent investigations and to take necessary actions accordingly;
- (XV) to liaise with the external auditors acting as the key representative of the Company, and to monitor the relationship between the Company and the external auditors;
- (XVI) to deal with other matters as authorized by the board of directors of the Company and perform other duties as required by the relevant laws and regulations, the Hong Kong Listing Rules and the listing rules of the jurisdiction in which the securities of the Company are listed, as revised from time to time.

**Article 172** The primary responsibilities of the remuneration and appraisal committee include:

- (I) to make recommendations to the board of directors on remuneration plans or proposals and establishment of formal and transparent procedures for the formulation of the above remuneration plans or proposals according to the primary scope, responsibilities, importance of the management positions of directors and senior management members and the remuneration standards of relevant positions in other relevant enterprises;
- (II) remuneration plans or proposals include but not limited to performance appraisal criteria, procedures and key appraisal system, and major incentive and penalty plans and systems;
- (III) to determine the specific remuneration packages of executive directors and senior management, including benefits in kind, pension rights and compensation payments (including any compensation payable for loss or termination of their office or appointment), and to make recommendations to the board of directors on the remuneration of non-executive directors. The factors to be considered by the committee include requirements of laws and regulations, salaries paid by comparable companies, time commitment and responsibilities of the directors and senior management, the employment conditions of other positions within the Company and desirability of performance based on remuneration;
- (IV) to review and approve the performance-based remuneration packages by making reference to the corporate objectives approved from time to time by the board of directors;
- (V) to review the performance of duties of directors (non-independent directors) and senior management members of the Company and to conduct annual performance appraisals on them;
- (VI) to examine and approve compensation payable to executive directors and senior management for any loss or termination of office or appointment to ensure that the compensation conforms to contractual terms or, in case the compensation does not conform to contractual terms, is fair and reasonable and no undue burden is placed on the Company;
- (VII) to review and approve compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that such compensation arrangements are in accordance with the relevant contractual terms or are otherwise reasonable and appropriate; to ensure that no director or any of his/her associates (as defined in the

Hong Kong Listing Rules) is involved in deciding his/her own remuneration;

(VIII) to supervise the implementation of the Company's remuneration system;

(IX) the remuneration and appraisal committee may appoint professional bodies to assist it in the performance of the above duties;

(X) to perform other duties as conferred by the laws and regulations, relevant regulatory requirements of the listing place(s) of the Company, such as the Hong Kong Listing Rules, these rules of procedure and the board of directors.

**Article 173** The primary responsibilities of the nomination committee include:

(I) to make recommendations to the Board about the size and the composition of the board of directors according to operating activities, size of assets and shareholding structure of the Company. to review the structure, size, composition and relevant qualifications (including skill, expertise and experience) of the board of directors at least once annually, make recommendations on any adjustment to the board of directors pursuant to the development strategy of the Company, and formulate a diversity policy for the board of directors;

(II) to study the selection criteria, procedures and methods of directors and managers and to make recommendations in this regard to the board of directors;

(III) to identify for competent candidates of directors and managers extensively;

(IV) to make recommendations to the board of directors on the candidates for directors and managers, and provide advice to the board of directors on the appointment or re-appointment of directors and succession plan for directors, in particular the chairman of the board of directors, the vice chairman and the general manager;

(V) to screen the candidates for other management members and provide advice to the board of directors; to conduct a review and make recommendations on other senior management members who are subject to appointment by the board of directors;

(VI) to evaluate the overall skill, expertise and experience of directors and senior management and assess the independence of the independent non-executive directors;

(VII) to handle other matters delegated by the board of directors.



#### **Section 4 Secretary to the Board of Directors**

**Article 174** The Company shall have a secretary to the board of directors. The secretary to the board of directors shall be a senior management of the Company. The provisions of Article 140 hereof concerning directors' fiduciary duties and of Clauses (IV)-(VI) of Article 141 hereof concerning the duty of diligence shall also apply to secretary to the Board.

**Article 175** The secretary of the board of directors of the Company shall be a natural person who has the requisite professional knowledge and experience, and shall be appointed by the board of directors. The primary responsibilities include:

- (I) to be responsible for the preparation of the general meeting and the meetings of the Board of the Company;
- (II) to ensure that the Company's organisation documents and records are complete and to ensure the lawful preparation and submission by the Company of reports and documents as required by relevant authorities;

**Article 176** A director or other senior management of the Company may also act as the secretary to the board of directors of the Company. Accountants of the accounting firm appointed by the Company shall not act as the secretary to the board of directors.

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

## CHAPTER 6 PARTY ORGANIZATION AT THE PRIMARY LEVEL

**Article 177** In accordance with the Constitution of the Communist Party of China, the Company hereby set up the organization under the Communist Party of China and related working organs, and maintain staffing to handle Party affairs. Members of the leading group of the Party organization of the Company shall be approved for appointment according to the management authority. The Party organization relationship of the Company is managed geographically and its works are carried out under the double leadership of the Party committee of the Group and the Party organization of its resident.

**Article 178** The Party organization of the Company shall conduct regular re-election upon the expiry of its term of office pursuant to the relevant requirements.

**Article 179** The Party organization of the Company shall play the role of the leadership core and political core in the Company, and shall carry out the works by providing direction, managing the overall situation and ensuring implementation. It has always maintained a high degree of ideological, political and operational consistency with the Party Central Committee, resolutely implemented the Party's theories, lines, guidelines, and policies to ensure the correct direction of reform and development; insisted on collective leadership, promoted scientific decision-making and promoted the full observance of their economic responsibilities, political responsibilities and social responsibilities; strengthened the team building of leaders and talents in the enterprise, led the mass organization and given play to its role, and been dedicated to promoting the fulfillment of all tasks; strengthened daily education and management of Party members, given full play to the battle fortress role of a grassroots Party organization and the exemplary role of Party members, and earnestly pushed forward the construction of the Party work style and the clean government.

**Article 180** The Company has improved and perfected related systems, clarified the boundaries of rights and responsibilities between the Party organization and other corporate governance entities, and formed a seamless transition to form a corporate governance mechanism that performs its own duties and takes full responsibility for its own responsibilities, operates in coordination and effectively checks and balances.

**Article 181** The Party organization of the Company shall improve the mechanism for discussing affairs and making decisions, strictly implement democratic centralism, adhere to collective leadership, democratic centralism, individual deliberation and making decisions at meetings. In accordance with the prescribed procedures, in the process of senior management selection, the Party committee shall examine the nominated candidates and deliberately put forward their opinions. The Party committee shall study and discuss the material matters regarding the Company's reform and stable development as well as major issues relating to the Company's operation, management and staff's benefits, and propose opinions and suggestions thereon. When making decisions on significant matters of the Company, the board of directors should seek advice from the Party organization.

**Article 182** The Company shall provide necessary support and maintain sufficient funding for the activities of the Party organization.

## **CHAPTER 7 GENERAL MANAGER AND OTHER SENIOR MANAGEMENT**

**Article 183** The Company shall have one general manager and several deputy general managers;

The general manager and the deputy general managers of the Company and the persons prescribed in Article 12 of these Articles of Association jointly form the senior management of the Company who shall be appointed or dismissed by the board of directors.

**Article 184** The Article 140 hereof concerning the duties of loyalty required for directors and the Clauses (IV)-(VI) of Article 141 concerning the obligations of diligence required for directors shall also apply to the senior management of the Company.

**Article 185** Any person holding any executive position working in the controlling shareholder of the Company other than as a director or supervisor shall not serve as senior management of the Company.

**Article 186** The term of office of the general manager shall be three years, renewable upon re-appointment.

**Article 187** The general manager, who reports to the board of directors, may exercise his/her powers:

- (I) to manage the production, operation and administration of the Company and report to the board of directors;
- (II) to arrange for the implementation of the resolutions of the board of directors, the Company's annual operation plans and investment proposals;
- (III) to formulate proposals for the establishment of the Company's internal management organs;
- (IV) to formulate the fundamental management system of the Company;
- (V) to formulate the Company's specific rules and regulations;
- (VI) to recommend the appointment or dismissal of any deputy manager and any financial officer of the Company by the board of directors;
- (VII) to appoint or dismiss management personnel (other than those required to be appointed or dismissed by the board of directors); and
- (VIII) to exercise any other authority granted by these Articles of Association or the board of directors.

The general manager shall be present at meetings of the board of directors. However, the general manager shall have no voting rights at meetings of the board of directors unless he/she concurrently serves as a director.

**Article 188** The general manager shall formulate working rules of the general manager, and shall be implemented after being approved by the board of directors.

**Article 189** The working rules of the general manager shall include:

- (I) the conditions, procedure and participants of the general manager's meeting;
- (II) specific responsibilities and work allocation of the general manager and other senior management;
- (III) use of funds and assets of the Company, scope of authorization to enter into contracts and reporting policies regarding the board of directors and the supervisory committee; and
- (IV) other matters which the board of directors deems necessary.

**Article 190** The general manager may resign before expiry of his term of office. The specific procedures and methods for the resignation of the general manager shall be specified in the employment contract concluded by the general manager and the Company.

**Article 191** The deputy general managers of the Company shall be nominated by the general manager, and shall be appointed or dismissed by the board of directors. The deputy general managers shall work under the leadership of the general manager according to their scope of work.

**Article 192** If the general manager violates laws, administrative regulations, department rules or these Articles of Association when performing his duties in the Company, he/she shall indemnify the Company against losses incurred due to such violation.

**CHAPTER 8 SUPERVISORY COMMITTEE**

**Section 1 Supervisors**

**Article 193** The directors, general manager and other senior management may not concurrently take the position of supervisors.

**Article 194** The supervisors shall observe laws, administrative regulations and these Articles of Association. They shall assume the duties of loyalty and due diligence to the Company, and shall not accept any bribery or other illegal income by using his powers and position, or seize the assets of the Company in any manner.

**Article 195** Each term of office of a supervisor is three years and he/she may serve consecutive terms if re-elected upon expiry.

**Article 196** A supervisor shall continue to perform his/her duties as a supervisor in accordance with the laws, administrative regulations and the articles of association until a duly re-elected supervisor takes office, if re-election is not conducted in a timely manner upon the expiry of his/her term of office or if the resignation of the supervisor results in the number of supervisors being less than the quorum.

**Article 197** A supervisor shall ensure that information disclosed by the Company is true, accurate and complete.

**Article 198** Supervisors may attend meetings of the board of directors and make enquiries or proposals in respect of the resolutions of such meetings.

**Article 199** A supervisor shall not take advantage of his connection with the Company to harm interests of the Company and shall indemnify the Company against losses caused thereby.

**Article 200** If a supervisor violates laws, administrative regulations, department rules or these Articles of Association when performing his duties in the Company, he/she shall indemnify the Company against losses incurred due to such violation.

## **Section 2 Supervisory Committee**

**Article 201** The Company shall have a supervisory committee. The supervisory committee comprises 3 supervisors. It shall have one chairman. The election or removal of the chairman of the supervisory committee shall be determined by two-thirds or more of the members of the supervisory committee. The chairman of the supervisory committee shall convene and preside over supervisory committee meetings. Where the chairman of the supervisory committee is incapable of performing, or is not performing his/her duties, a supervisor nominated by more than half of the supervisors shall convene and preside over supervisory committee meetings.

The supervisory committee shall include shareholder representative supervisors and a proper proportion of employee representative supervisors. The proportion of employee representative supervisors in the supervisory committee shall be no less than one third of the supervisors appointed. The employee representatives of the supervisory committee shall be elected at the employee representatives' meeting, employee meeting or otherwise democratically.

**Article 202** The supervisory committee shall exercise the following functions and powers:

- (I) To review the periodic reports of the Company prepared by the board of directors and express its written opinion;
- (II) To check the financial condition of the Company;
- (III) To monitor the performance of duties in the Company by directors and senior management and propose dismissal of directors and senior management who have violated laws, administrative regulations, these Articles of Association or the resolutions of general meetings;
- (IV) To require directors and the senior management to make corrections if their conduct has damaged the interests of the Company;

- (V) To propose the convening of extraordinary general meetings and, in case the board of directors does not perform the obligations to convene and preside over the general meetings in accordance with Company Law, to convene and preside over the general meetings;
- (VI) To propose proposals to the general meetings;
- (VII) To initiate legal proceedings against directors and the senior management according to the provisions of the Company Law;
- (VIII) To conduct investigation if there is any doubt or any unusual circumstances in the Company's operations; and if necessary, to engage an accounting firm, law firm or other professional institutions to assist in their work at the expenses of the Company;
- (IX) To verify the financial information such as the financial report, business report and plans for distribution of profits to be submitted by the board of directors to the general meetings and, should any queries arise, to authorize, in the name of the Company, a re-examination by the certified public accountants and practising auditors of the Company for the time being; and
- (X) Other functions and powers specified in these Articles of Association.

**Article 203** The method for discussions of the supervisory committee shall be supervisory committee meetings. As for the voting on a resolution of the supervisory committee, each supervisor shall have one vote. The voting can be conducted by open ballot in writing or otherwise.

There are two types of supervisory committee meeting: regular supervisory committee meeting and extraordinary supervisory committee meeting. The supervisory committee shall hold at least one regular meeting every six months. A supervisor may propose to convene an extraordinary supervisory committee meeting.

A resolution of the supervisory committee must be approved by two-thirds or more of the supervisors.

**Article 204** The supervisory committee shall formulate procedural rules to be followed at meetings of the supervisory committee, specify the method for discussions and the voting procedures of the supervisory committee, so as to ensure the working efficiency and scientific decision making of the supervisory committee.

**Article 205** The supervisory committee shall record decision on matters discussed in the minutes for the meeting. Supervisors who attended the meeting shall sign on the minutes for the meeting.

A supervisor is entitled to request for some descriptive record to be made with regard to his/her speech in the meeting. The minutes of the supervisory committee meeting shall be kept for 10 years as document of the Company.

**Article 206** Notice of the supervisory committee meeting shall include:

- (I) the date, place and duration of the meeting;
- (II) particulars of a matter and the matters to be discussed; and
- (III) the date on which the notice is given.

## **CHAPTER 9 QUALIFICATIONS AND OBLIGATIONS OF THE COMPANY'S DIRECTORS, SUPERVISORS, GENERAL MANAGER AND OTHER SENIOR MANAGEMENT**

**Article 207** A person may not serve as a director, supervisor, general manager and other senior management of the Company if any of the following circumstances apply:

- (I) a person without legal or with restricted legal capacity;
- (II) a person who has been found guilty of sentenced for corruption, bribery, infringement of property, misappropriation of property or sabotaging the social economic order where less than a term of 5 years have elapsed since the sentence was served; or a person who has been deprived of his political rights, in each case where less than 5 years have elapsed since the sentence was served;
- (III) a person who is a former director, factory manager or general manager of a company or enterprise which has been entered into insolvent liquidation because of mismanagement and he/she is personally liable for the insolvency of such company or enterprise, where less than 3 years have elapsed since the date of the completion of the insolvency and liquidation of the company or enterprise;
- (IV) a person who is a former legal representative of a company or enterprise which had its business licence revoked due to a violation of the law and who incurred personal liability, where less than 3 years has elapsed since the date of the revocation of the business licence;



- (V) a person who has a relatively large amount of debts due and outstanding;
- (VI) a person who is under criminal investigation by judicial organization for the violation of the criminal law which is not yet concluded;
- (VII) a person who is not eligible to act as a leader of an enterprise according to laws and administrative regulations;
- (VIII) a non-natural person;
- (IX) currently being barred by the China Securities Regulatory Commission from participating in the securities market;
- (X) a person convicted of the contravention of provisions of relevant securities regulations by a relevant government authority, and such conviction involves a finding that he has acted fraudulently or dishonestly, where less than 5 years has elapsed since the date of the conviction;
- (XI) other persons that are disqualified as corporate leader according to laws, administrative regulations, departmental rules, regulatory documents, regulations of relevant regulatory authorities and these Articles of Association.

Where the Company elects, appoints or employs a director, a supervisor, the general manager and other senior management to which any of the above circumstances applies, such election, appointment or employment shall be null and void. A director, a supervisor, the general manager and other senior management to which any of the above circumstances applies during his/her term of office shall be released of his/her duties by the Company.

**Article 208** The validity of an act of a director, general manager and other senior management on behalf of the Company is not, as against a bona fide third party, affected by any irregularity in his office, election or any defect in his qualification.

**Article 209** In addition to obligations imposed by laws, administrative regulations or the listing rules of the stock exchanges on which shares are listed, each of the directors, supervisors, general manager and other senior management owes a duty to each shareholder in the exercise of the functions and powers of the Company entrusted to him/her:

- (I) not to cause the Company to exceed the scope of business laid down in its business licence;
- (II) to act honestly in the best interest of the Company;

(III) not to expropriate in any way the Company's property, including (without limitation) usurpation of opportunities advantageous to the Company;

(IV) not to expropriate the individual rights of shareholders, including (without limitation) rights to distribution and voting rights, save pursuant to the corporate restructuring submitted to the general meetings for approval in accordance with these Articles of Association.

**Article 210** Each of the directors, supervisors, general manager and other senior management of the Company owes a duty, in the exercise of his powers and discharge of his duties, to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

**Article 211** Each of the directors, supervisors, general manager and other officers of the Company shall carry on his duties in accordance with the principle of fiduciary and shall not put himself in a position where his duty and his interest may conflict. This principle includes (without limitation) the discharge of the following obligations:

(I) To act honestly in the best interests of the Company;

(II) To exercise powers within the scope of his powers and not to exceed those powers;

(III) To exercise the discretion vested in him personally and not to allow himself to act under the control of another and, unless and to the extent permitted by laws, administrative regulations or with the informed consent of shareholders given in general meeting, not to delegate the exercise of his discretion;

(IV) To treat shareholders of the same class equally and to treat shareholders of different classes fairly;

(V) Except in accordance with the Articles of Association or with the informed consent of shareholders given in general meeting, not to enter into any contract, transaction or arrangement with the Company;

(VI) Without the informed consent of shareholders given in general meeting, not to use the Company's property for his own benefit;

(VII) Not to abuse his position to accept bribes or other illegal income or expropriate the Company's property by any means, including (without limitation) opportunities advantageous to the Company;

- (VIII) Without the informed consent of shareholders given in general meeting, not to accept commissions in connection with the Company's transactions;
- (IX) To abide by the Articles of Association, faithfully execute his official duties and protect the Company's interests, and not to exploit his position and power in the Company to advance his own private interests;
- (X) Not to compete with the Company in any form unless with the informed consent of the general meeting;
- (XI) Not to misappropriate the Company's funds or lend such funds to others, not to open accounts in his own name or other names for the deposit of the Company's assets and not to provide a guarantee for debts of a shareholder of the Company or other individual(s) with the Company's assets;
- (XII) Unless otherwise permitted by informed consent of the general meeting, to keep in confidence information acquired by him in the course of and during his tenure and not to use the information other than in furtherance of the interests of the Company, save that disclosure of such information to the court or other governmental authorities is permitted if:
  - 1. Disclosure is made under compulsion of law;
  - 2. The interests of the public require disclosure;
  - 3. The interests of the relevant director, supervisor, general manager and other officer require disclosure.

**Article 212** Each director, supervisor, general manager and other officer of the Company shall not cause the following persons or institutions ("associates") to do what he is prohibited from doing:

- (I) The spouse or minor child of a director, supervisor, general manager and other officer of the Company;
- (II) A person acting in the capacity of trustee of a director, supervisor, general manager and other officer of the Company or any person referred to in (I) herein;
- (III) A person acting in the capacity of partner of a director, supervisor, general manager and other officer of the Company or any person referred to in (I) and (II) herein;

(IV) A company in which a director, supervisor, general manager and other officer of the Company, alone or jointly with one or more persons referred to in (I), (II) and (III) herein and other directors, supervisors, general manager and other officers of the Company have a de facto controlling interest;

(V) The directors, supervisors, general manager and other officers of the controlled company referred to in the (IV) herein.

**Article 213** The fiduciary duties of the directors, supervisors, general manager and other officers of the Company do not necessarily cease with the termination of their terms of office. The duty of confidence in relation to trade secrets of the Company survives the termination of their terms of office. Other duties may continue for such period as fairness may require depending on the time lapse between the termination and the act concerned and the circumstances under which the relationships between them and the Company are terminated.

**Article 214** The liability of directors, supervisors, general manager and other officers of the Company for breaching a given obligation may be waived by the shareholders' general meeting which has knowledge of the circumstances, save for the circumstances specified in Article 66 of the Articles of Association.

**Article 215** Where a director, supervisor, general manager and other officer of the Company is in any way, directly or indirectly, materially interested in a contract, transaction or arrangement or proposed contract, transaction or arrangement with the Company, (other than his contract of service with the Company), he shall declare the nature and extent of his interests to the board of directors at the earliest opportunity, whether or not such contract, transaction or arrangement therefor is otherwise subject to the approval of the board of directors.

Unless under the exceptional circumstances specified in Note 1 to Appendix 3 of the Hong Kong Listing Rules or permitted by the Hong Kong Stock Exchange, directors shall not vote on any resolutions of the board of directors in respect of any contract or arrangement or any other suggestion in which he/she or his/her close associates (as defined in the Hong Kong Listing Rules) have a material interest. When determining whether the quorum is reached, such directors shall not be counted.

Unless the interested director, supervisor, general manager and other officer discloses his interests in accordance with the requirements of the preceding paragraph of this article and the contract, transaction or arrangement is approved by the board of directors at a meeting in which the interested director, supervisor, general manager and other officer is not counted in the quorum and refrains from voting, such contract, transaction or arrangement is voidable at the instance of the Company except as against a bona fide party thereto acting without notice of the breach of duty by the interested director, supervisor, general manager and other officer.

A director, supervisor, general manager and other officer of the Company is deemed to be interested in a contract, transaction or arrangement in which an associate of him is interested.

**Article 216** Where a director, supervisor, general manager and other officer of the Company gives to the board of directors a general notice in writing stating that, by reason of the facts specified in the notice, he is interested in contracts, transactions or arrangements of any description which may subsequently be made by the Company, such notice shall be deemed for the purposes of the preceding paragraph in the Articles of Association to be a sufficient declaration of his interests, so far as the content stated in such notice is concerned, provided that such general notice shall have been given before the date on which the question of entering into the relevant contract, transaction or arrangement is first taken into consideration on behalf of the Company.

**Article 217** The Company shall not pay taxes in any form for its directors, supervisors, general manager and other officers.

**Article 218** The Company shall not directly or indirectly make a loan to, or provide any security in connection with the making of a loan to a director, supervisor, general manager or other officer of the Company or of the Company's parent company or any of their respective associates.

The following circumstances are not subject to such prohibition:

- (I) The provision by the Company of a loan or a guarantee of a loan to a company which is a subsidiary of the Company;

(II) The provision by the Company of a loan or a guarantee in connection with the making of a loan or any other funds available to any of its directors, supervisors, general manager and other officers to meet expenditure incurred or to be incurred by him for the purposes of the Company or for the purpose of enabling him to perform his duties properly, in accordance with a service contract approved by the shareholders in general meeting;

(III) The Company may make a loan to or provide a guarantee in connection with the making of a loan to any of the relevant directors, supervisors, general manager and other officers and their respective associates in the ordinary course of its business on normal commercial terms, provided that the ordinary course of business of the Company includes the lending of money or the giving of guarantees.

**Article 219** A loan made by the Company in breach of the preceding paragraph shall be forthwith repayable by the recipient of the loan regardless of the terms of the loan.

**Article 220** Any guarantee for a loan provided by the Company in breach of Paragraph 1 of Article 218 of the Articles of Association shall be unenforceable against the Company, unless:

- (I) At the time the loan was made to an associate of any of the directors, supervisors, general manager and other officers of the Company or of the Company's parent company, the lender was not aware the relevant circumstances;
- (II) The security provided by the Company has been lawfully disposed of by the lender to a bona fide purchaser.

**Article 221** The guarantee as referred to in the preceding paragraph of this chapter includes the act of the guarantor to undertake the responsibility or provide property to ensure that the obligor fulfils the obligations.

**Article 222** In addition to any rights and remedies provided by the laws and administrative regulations, where a director, supervisor, general manager, deputy general manager and other senior officer of the Company is in breach of his duties to the Company, the Company has a right:

- (I) To demand such director, supervisor, general manager and other senior officer to compensate it for losses sustained by the Company as a result of such breach;

- (II) To rescind any contract or transaction which has been entered into between the Company and such director, supervisor, general manager and other senior officer or between the Company and a third party (where such third party knows or should have known that such director, supervisor, general manager and other senior officer representing the Company has breached his duties owed to the Company);
- (III) To demand such director, supervisor, general manager and other senior officer to account for profits made as a result of the breach of his duties;
- (IV) To recover any monies which should have been received by the Company and which were received by such director, supervisor, general manager and other senior officer instead, including (without limitation) commissions;
- (V) To demand repayment of interest earned or which may have been earned by such director, supervisor, general manager and other senior officer on monies that should have been paid to the Company.

**Article 223** The Company shall enter into a contract in writing with each of the directors, supervisors and senior officers of the Company, subject to prior approval at a general meeting. The contract in writing shall cover at least the following matters:

- (I) Directors, supervisors and senior officers shall undertake to the Company to observe Company Law, Special Provisions, the Articles of Association, and Code on Takeovers and Mergers and Code on Share Repurchase and other provisions stipulated by the Hong Kong Stock Exchange, and agree that the Company is entitled to remedial measures under the Articles of Association and that the said contract and their positions as director, supervisor or senior officer shall not be transferred;
- (II) Directors, supervisors and senior officers shall undertake to the Company representing respective shareholders to fulfil their due duties for the shareholders as specified in the Articles of Association;

Arbitration clauses specified in Article 280 of the Articles of Association. The Company shall enter into a contract in writing with each of the directors or supervisors wherein his emoluments are stipulated. The aforesaid emoluments include:

- (I) Emoluments in respect of his service as a director, supervisor or an officer of the Company;

- (II) Emoluments in respect of his service as a director, supervisor or an officer of any subsidiary of the Company;
- (III) Emoluments in respect of the provision of other services in connection with the management of the affairs of the Company or any of its subsidiaries;
- (IV) Payment by way of compensation for loss of office, or as consideration for or in connection with his retirement from office. No proceedings may be brought by a director or supervisor against the Company for anything due to him in respect of matters mentioned above except pursuant to the aforesaid contract. The Company shall disclose to shareholders the remuneration received by directors, supervisors and senior officers from the Company on a regular basis.

**Article 224** The contracts concerning the emoluments between the Company and its directors or supervisors should provide that in the event that the Company is acquired, the directors and supervisors shall, subject to the prior approval of the general meeting, have the right to receive compensation or other payment in respect of his loss of office or retirement. For the purpose of the preceding paragraph, an acquisition of the Company means either:

- (I) An offer made by any person to all the shareholders;
- (II) An offer made by any person with a view to the offeror becoming a “controlling shareholder”. Controlling shareholder has the same definition as that in Article 281 of the Articles of Association.

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



## **CHAPTER 10 FINANCIAL AND ACCOUNTING SYSTEM, PROFIT DISTRIBUTION AND AUDIT**

### **Section 1 Financial and Accounting System**

**Article 225** The Company shall establish its financial and accounting system in accordance with the laws, administrative regulations and the requirement of relevant regulatory departments of the PRC. Any other requirements as required by the securities regulatory authority at the place where the shares of the Company are listed shall prevail.

**Article 226** The Company shall submit its annual financial and accounting reports to the CSRC and the stock exchanges within four months from the ending date of each fiscal year, submit the half-year financial and accounting reports to the local office of the CSRC and the stock exchanges within two months from the ending date of the first six months of each fiscal year, and submit the quarterly financial and accounting reports to the local office of the CSRC and the stock exchanges within one month from the ending dates of the first three and first nine months of each fiscal year respectively. The above financial and accounting reports are prepared in accordance with laws, administrative regulations and the provisions of departmental regulations.

**Article 227** The board of directors shall submit the financial reports required by relevant laws, regulations, rules and normative documents to be submitted to shareholders at each annual general meeting.

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

Unless otherwise specified in the Articles of Association, the Company shall deliver or send to each shareholder of overseas listed shares by prepaid mail at the address registered in the register of shareholders the said reports, the report of directors, together with the balance sheet (including every document to be attached to the balance sheet as required by the law) and statement of profit or loss or the statement of income and expenditure not later than twenty-one days before the date of every annual general meeting. Such documents may also be delivered to shareholders of overseas listed shares through the Company's website, the website of the Hong Kong Stock Exchange and other websites as may be provided by the Hong Kong Listing Rules from time to time, provided that the laws, administrative regulations and requirements of the securities regulatory authority at the place where the shares of the Company are listed are observed.

**Article 228** The financial statements of the Company shall, in addition to being prepared in accordance with the PRC accounting standards and regulations, be prepared in accordance with either international amounting standards, or that of the overseas listing place. If there is any material difference between the financial statements prepared respectively in accordance with the two accounting standards, such difference shall be stated in an appendix to the financial statements. When the Company is to distribute its after-tax profits, the lower of the after-tax profits as shown in the two financial statements shall be adopted.

**Article 229** Any interim results or financial information published or disclosed by the Company must also be prepared and presented in accordance with the PRC accounting standards and regulations, and also in accordance with either international accounting standards or that of the overseas listing place.

**Article 230** The Company shall publish its financial reports twice every fiscal year, that is, the interim financial report shall be published within 60 days after the first 6-month period of each fiscal year and the annual financial report shall be published within 120 days after the expiration of each fiscal year.

Any other requirements as required by the securities regulatory authority at the place where the shares of the Company are listed shall prevail.

**Article 231** The Company shall not establish account books other than the statutory account books. The assets of the Company shall not be deposited in any personal account.

**Article 232** When the Company allocates the after-tax profits for the current year, it shall extract 10% of the profits into the Company's statutory reserve fund. Should the accumulated amount of the Company's statutory reserve fund be more than 50% of the Company's registered capital, no appropriation shall be made.

In the event that the Company's statutory reserve fund is not sufficient to cover all the losses for the previous year, the profits for the current year shall be firstly used to cover the loss before making appropriation to the statutory reserve fund pursuant to the foregoing provisions.

After the Company has made appropriation to the statutory reserve fund from the after-tax profits, optional reserve fund may also be extracted from the after-tax profits upon resolution at the general meeting.

As for the remaining after-tax profits after the Company has covered loss and has extracted statutory reserve fund, shareholders shall be allocated pursuant to the ratio of the shareholding of the shareholders, except for those allocations not pursuant to the ratio of the shareholding as provided by the Articles of Association.

Profits distributed to shareholders by a resolution of a shareholders' general meeting before losses have been made good and allocations have been made to the statutory common reserve fund in violation of the requirements described above must be returned to the Company.

The Company shall not be entitled to any distribution of profits in respect of shares held by it.

**Article 233** The common reserve fund of the Company shall be applied to make good the Company's losses, expand its business operations or increase its capital. The capital reserve fund, however, shall not be used to make good the company's losses. Capital reserve fund includes the following items:

- (I) Premium on shares issued at a premium price;
- (II) Any other income designated for the capital reserve fund by the regulations of the finance regulatory department of the State Council.

Upon the transfer of the statutory common reserve fund into capital, the balance of the fund shall not be less than 25% of the registered capital of the company before such transfer.

**Article 234** Procedures for decision making on profit distribution by the Company:

- (I) The Company shall fully listen to the opinions of the independent non-executive directors and minority shareholders with respect to the profit distribution proposal through multiple channels. The management of the Company shall make reasonable proposals on profit distribution based on, among other things, the size of share capital, profitability, investment arrangement, cash flows and returns to shareholders of Company. The board of directors shall formulate scientific and reasonable annual, interim or quarterly profit distribution proposals.
  1. When considering specific cash dividend distribution proposal, the board of directors shall study and discuss, among others, the timing, conditions as well as the minimum ratio, conditions for adjustments and the requirements of the procedures for decision making in respect of the cash dividend distribution of the Company. The independent non-executive directors shall give specific opinion.

2. When making decisions on and formulating its profit distribution proposals, the Board shall record in detail the advice of the management, key points of the speeches of the directors present at the meeting, opinions of independent non-executive directors, voting results of the Board, etc. and form written minutes to be properly kept as the Company's records.
  3. If the management does not propose cash dividend proposals for the Company's profits of the year to the Board, the management shall report the particulars to the Board to explain the reasons for not distributing dividend, and the purpose and the proposed applications for the undistributed funds retained by the Company. Independent non-executive directors shall express their independent opinions on profit distribution proposals which should be disclosed to the public.
- (II) Upon the consideration and approval by the Board, the profit distribution plans shall be submitted to the general meeting for consideration and approval. The profit distribution plans submitted by Board shall be voted at the general meeting in accordance with relevant laws and regulations.
- (III) The Company shall strictly comply with the relevant requirements to disclose details of the execution of the profit distribution proposals and cash dividend policies in annual and interim reports. If the Company does not propose cash dividend proposals for the profits of the year, it shall explain in details the reasons for not distributing dividend, and the purpose and the proposed applications for the undistributed funds retained by the Company in annual reports.
- (IV) If the Company needs to adjust its dividend policies and shareholders' return plans due to significant changes in external operating environment or its own operation, for the purpose of protecting the interests of the shareholders, the Company shall carefully examine and describe the reasons, and the Board shall submit to the general meeting for consideration and approval.
- (V) Supervisory committee shall supervise the execution and decision-making procedures of the Company's profit distribution policies and shareholders' return plans by the Board and management. When the cash dividend proposals has not been proposed for the profit realized for the year, it shall also express its specific explanation and opinion on the execution of the policies and plans.

(VI) After the resolution on the profit distribution plans is made, the Board of the Company shall, within two months after the general meeting, complete the distribution of the dividend (or shares).

(VII) If the fund of the Company is misappropriated by any shareholder, the Company shall deduct the cash dividend distributable to such shareholder to repay the fund misappropriated.

**Article 235** The Company may execute profit distribution policies, provided that the following rules are strictly complied with:

(I) Profit distribution principles: The Company adopts consistent and stable profit distribution policies, which should emphasize on investors' reasonable investment return while meeting reasonable capital requirements of the Company, but the profit distribution shall not exceed the range of the accumulated distributable profits or damage the Company's ability to continue operations.

(II) Profit distribution mechanism: The Company may distribute profit in the form of cash, shares, or by the combination of cash and shares, and shall actively promote the distribution of profits in the form of cash.

(III) The Company generally distributes its profits on a yearly basis, and can also distribute an interim or quarter profits (cash) based on the capital requirements of the Company.

(IV) Cash distribution interval and percentage: The Company must make one cash dividend distribution during every three consecutive years, the specific percentages of distribution to be drafted by the Board according to the operating situation of the Company and the stipulations of the CSRC, and to be considered and determined by the general meetings.

The profits distributed in cash by the Company in the last three years shall not be in aggregate lower than 30% of the average annual distributable profit realized in the last three years.

(V) The Company may distribute cash dividend, provided that the following conditions are fulfilled:

1. Positive figures are recorded for the distributable profits of the Company (i.e. the remaining after-tax profits after the Company has covered loss and has extracted statutory reserve fund) during the year, and there is sufficient cash so that cash dividend may not influence the Company's subsequent continuing operation;
2. A standard unqualified audit report is issued by an auditor for the financial report of the Company during the year;
3. The Company has no such events as major investment plans or significant cash expenditures (excluding fund-raising projects). Significant investment plans or significant cash expenditures refer to: the proposed external investment, acquisition of assets or purchase of equipment by the Company in the coming twelve months with accumulated expenses amounting to or exceeding 30% of the latest audited net assets of the Company.

(VI) Conditions for script dividend proposal: Subject to the fulfilment of the conditions for cash dividend distribution, if the operating income and net profit of the Company show rapid growth, in addition to propose a cash dividend proposals, the Board can propose and implement a script dividend proposal if it considers the scale of the share capital and shareholding structure of the Company are reasonable.

**Article 236** Any amount paid up in advance of calls on any shares may bear interest but shall not entitle the holder of the shares to participate in respect thereof in a dividend subsequently declared.

Subject to the relevant laws, regulations, rules and normative documents, the Company may exercise the power to forfeit unclaimed dividends, provided that it does so only after the expiration of the applicable relevant period.

The Company has the power to cease sending dividend warrants by post to a given holder of overseas listed foreign shares, but may exercise such power only if such warrants have been left uncashed on two consecutive occasions. However, the Company may exercise such power after the first occasion on which such a warrant is returned undelivered.

The Company has the power to sell by a method deemed fit by the Board the shares of a holder of overseas listed foreign shares who is untraceable, provided that it complies with the following conditions:

- (I) the Company has distributed dividends on such foreign shares for at least three times in 12 years, which dividends are not claimed by anybody during the period;
- (II) upon expiration of the 12-year period, the Company makes an announcement of its intention to sell such shares in one or more newspapers, and notify the local securities regulatory authority at the place where the shares of the Company are listed.

Where the Company is granted the power by the Board to seize any dividends not claimed by anybody, this power may not be exercised until at least six years following the date that the dividends are announced.

**Article 237** The Company shall appoint collection agents for holders of overseas listed foreign shares. The collection agents shall, on behalf of the related shareholders, collect dividends and other payables distributed by the Company for the overseas listed foreign shares.

The collection agents appointed by the Company shall be in compliance with the requirements of the laws or local stock exchange at the place where the shares of the Company are listed. The collection agents appointed by the Company for holders of overseas listed foreign shares which are listed in Hong Kong shall be trust companies registered pursuant to Trustee Ordinance of Hong Kong.

## **Section 2 Internal Audit**

**Article 238** The Company shall implement an internal audit system, where dedicated auditors carry out the internal audit and supervision over the revenue and expenditure and the economic activities of the Company.

**Article 239** The internal audit system of the Company and the duties of the auditing staff shall be subject to the approval of the Board. The officer in charge of internal audit shall be accountable to the Board and report his work to the same.

### **Section 3 Appointment of Accounting Firm**

**Article 240** The Company shall appoint such accounting firm which has obtained the “Qualifications for Engaging in the Business Related to Securities” (“從事證券相關業務資格”) for carrying out the audit for the accounting statements and reports, net asset verification and other relevant consultancy service.

**Article 241** The appointment of an accounting firm by the Company shall be decided by the shareholders’ meeting. The Board may not appoint an accounting firm before the decision is made by the general meeting. The accountant firm appointed by the Company shall hold office from the conclusion of the annual general meeting until the conclusion of the next annual general meeting.

**Article 242** The certified public accountants appointed by the Company shall have the following rights:

- (I) To access the account books, records or vouchers of the Company at any time, and to ask directors, general manager or other senior executives to provide relevant documents and explanations;
- (II) To ask the Company to take every action possible to obtain documents and explanations from its subsidiaries needed for the certified public accountants to perform their duties;
- (III) To be present at the general meetings, get notice of the general meeting that any shareholder has the right to receive or other information relating to the general meetings, and deliver speeches at any shareholders’ general meeting in relation to the matters concerning the certified public accountants.

**Article 243** If there is a vacancy in the position of accounting firm of the Company, the Board may appoint an accounting firm to fill such vacancy before the convening of the general meeting, but the appointment shall be confirmed by the shareholders in the next general meeting. Any other accounting firm which has been appointed by the Company may continue to act during the period of existence of such vacancy.



In the event that the general meeting intends to pass and approve a resolution for hiring an accounting firm which is not being hired to fill in any vacancy of an accounting firm, or for re-hiring an accounting firm appointed by the Board to fill in any vacancy of an accounting firm, or for dismissing an accounting firm prior to the expiry of the term of office, the following provisions shall be met:

- (I) Prior to the delivery of the notice of the general meeting, such proposal regarding the appointment or dismissal shall be delivered to such accounting firm which is to be appointed or to leave, or which has left during the relevant accounting year. Leaving the office shall include the dismissal or resignation of appointment and leaving of its position.
- (II) In the event that the accounting firm leaving the position has made a written statement and requests the Company to inform the shareholders of such statement, the Company should adopt the following measures unless it has received the written statement too late:
  - 1. In the notice issued for making a resolution, it is expressly stated about the accounting firm leaving the position having made a statement;
  - 2. A photocopy of such statement shall be made as an attachment to the notice delivered to the shareholders in the manner as provided in the Articles of Association.
- (III) Should the Company fail to deliver the statement of the relevant accounting firm pursuant to the provisions of clause (ii) above, the relevant accounting firm may request to read out such statement at the general meeting and shall further make an appeal.
- (IV) The accounting firm leaving its position shall have the right to attend the following meetings:
  - 1. the general meeting during its term of office which is to expire;
  - 2. the general meeting for filling a vacancy caused by the dismissal of such accounting firm;
  - 3. the general meeting convened due to the active resignation of such accounting firm.

Such accounting firm leaving the position shall have the right to receive all notices regarding the foregoing meetings and other information related to the meetings and shall have the right to speak at the foregoing meetings about the matters involving such firm being the previous accounting firm of the Company.

**Article 244** Regardless of the terms in the contract concluded between the accounting firm and the Company, the general meeting may, through an ordinary resolution, resolve to dismiss the said accounting firm before the expiration of the term thereof. In the event of any rights claimed by the accounting firm against the Company, the said rights shall not be affected.

**Article 245** The Company ensures to provide true and complete accounting evidence, accounting books, financial and accounting reports and other accounting information to the engaged accounting firm without any refusal or withholding or falsification of information.

**Article 246** The remuneration of the accounting firm or the way to confirm the remuneration shall be determined by the general meeting. The remuneration of such accounting firm appointed by the Board shall be confirmed by the Board.

**Article 247** Should the Company dismiss or no longer re-appoint the accounting firm, it shall notify such accounting firm 30 days in advance. When the general meeting votes for the dismissal of such accounting firm, such accounting firm shall be allowed to express their opinions.

Where the accounting firm resigns its office, it shall make clear to the general meeting whether there has been any impropriety on the part of the Company.

An accounting firm may resign its office by depositing a resignation notice at the Company's registered office. Such notice shall become effective on the date of such deposit or on such later date as may be stipulated in such notice. Such notice shall include the following statements:

- (I) 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;
- (II) a statement of any other circumstances requiring an explanation.

The Company shall send a copy of the written notice referred to in the preceding paragraph to the relevant governing authority within 14 days after receipt. If the notice contains a statement as mentioned in clause (ii) of the preceding paragraph, a copy of such statement shall be placed at the Company for the inspection of shareholders. Unless otherwise stated in the Articles of Association, the Company shall also send a copy of such statement by prepaid mail to each shareholder who is entitled to receive the report regarding financial conditions of the Company at the address registered in the register of shareholders.

If the notice of resignation of accounting firm contains a statement in respect of any circumstances requiring an explanation, it may require the Board to convene an extraordinary general meeting for the purpose of giving an explanation of the circumstances in connection with its resignation.

## **CHAPTER 11 NOTICES AND ANNOUNCEMENTS**

### **Section 1 Notices**

**Article 248** The notices of the Company shall be sent out in the following ways:

- (I) sent out by hand;
- (II) sent out by mail;
- (III) sent out by fax or email;
- (IV) published on the website designated by the Company and the stock exchange in compliance with laws, administrative regulations, departmental rules, regulatory documents, relevant regulations of relevant regulatory authorities, the Articles of Association and the listing rules at the place where the shares of the Company is listed;
- (V) sent out by announcement;
- (VI) other forms required by the Articles of Association;
- (VII) other forms already agreed upon by the Company or the recipient in advance or recognized by the party notified on the receipt of the notice;
- (VIII) any other way recognized by the regulatory authority at the place where the shares of the Company is listed or specified by the Articles of Association.

Save as otherwise specified in the context, the “announcement” as mentioned in the Articles of Association, in respect of the announcement sent to holders of domestic shares or required to be sent in China pursuant to relevant regulations and the Articles of Association, refers to announcement published in the newspapers and periodicals in China, which shall be as specified in PRC laws and administrative regulations or designated by the securities regulatory authority under the State Council; for notice issued by the Company to the shareholders of overseas-listed foreign-invested Shares (by way of announcement), the Company shall on the same day submit an electronic version to the Hong Kong Stock Exchange through the Hong Kong Stock Exchange EPS for immediate release on the website of the Hong Kong Stock Exchange or publish an announcement in newspapers (including the publication of an advertisement in newspapers) in accordance with the rules of the listing place. The announcement shall also be published on the Company’s website. In addition, unless otherwise specified in the Articles of Association, the notice shall be delivered to each of the registered addresses as appeared in the register of members of overseas-listed foreign-invested Shares by personal delivery or postage paid mail so as to give the shareholders sufficient notice and time to exercise their rights or act in accordance with the terms of the notice.

The holders of overseas listed foreign shares of the Company may choose in written form to obtain (by email or by post) the information of the Company that the Company shall send to the shareholders, and may choose to receive either or both of the Chinese and English versions. They may also change the method for receiving the aforesaid information and the language version to be received as per appropriate procedures by sending a written notice to the Company in advance within a reasonable period.

Corporate communications referred to in the preceding article means any document issued or to be issued by the Company for the information or action of the holders of H shares of the Company or other individuals required under the Hong Kong Listing Rules, including but not limited to:

1. the annual report of the Company (including the reports of the board of directors, annual financial statements, the auditing report and the financial summary of the Company (if applicable));
2. the interim report and the summary of the interim report of the Company (if applicable);
3. notices of meetings;
4. listing documents;

5. circulars;
6. proxy forms (as defined in the listing rules of the stock exchange where the shares of the Company are listed).

Where notices are given by way of announcements under authorization conferred by the Articles of Association, such announcements shall be published by means specified in the Hong Kong Listing Rules.

**Article 249** Where a notice of the Company is served by an announcement, the aforesaid notice shall be deemed as received by relevant persons once it is published.

**Article 250** Any notice of general meetings of the Company shall be sent by public announcement. Any notice for convening a meeting of the board of directors and the supervisory committee of the Company shall be given by hand, fax, telephone, email or other means.

**Article 251** For any notice delivered by hand, the addressee shall sign or seal with chop on the receipt slip and the date of delivery shall be the date of the confirmation of receipt by such addressee; for any notice delivered by email, the date of delivery shall be the third working day upon the delivery to the post office; for any notice delivered by an announcement, the date of delivery shall be the date on which such announcement is initially published.

**Article 252** In the case where the listing rules of the place where the Company's shares are listed require the Company to send, post, dispatch, issue, publish or otherwise provide the relevant documents of the Company in both the English version and the Chinese version, if the Company has made appropriate arrangements to confirm whether the shareholders wish to receive the English version only or the Chinese version only, the Company may, to the extent permitted under the applicable laws and regulations, only send the English version or the Chinese version of such documents to the relevant shareholder (in accordance with the intention expressed by the shareholder).

## **Section 2 Announcements**

**Article 253** The Company shall issue announcements and disclose information to holders of domestic shares through newspapers and websites designated by the laws, regulations or the securities regulatory authorities of China for information disclosure. If it is required to make public announcements to the holders of overseas listed foreign shares pursuant to the Articles of Association, the announcement shall also be published in such manner as required by the Hong Kong Listing Rules.

The Company may not disclose information through other public media before such information is disclosed through designated newspapers and websites and may not disclose information by way of press release or interview with reporters in lieu of announcement.

The board of directors may change the newspapers for the Company's information disclosure. The Company shall ensure that the designated newspapers for information disclosure are allowed by the relevant laws and regulations and comply with the qualifications and conditions stipulated by CSRC, regulatory authorities outside China and domestic and overseas stock exchanges.

## **CHAPTER 12 MERGER, DIVISION, INCREASE AND DECREASE OF CAPITAL, DISSOLUTION AND LIQUIDATION**

### **Section 1 Merger, Division, Increase and Decrease of Capital**

**Article 254** The merger of the Company may take the form of either merger by absorption or merger by the establishment of a new company.

Absorption means that a company absorbs another company and the absorbed company will be dissolved. Where two or more companies merge into a new company, the original companies will be dissolved.

**Article 255** In the event of the merger or division of the Company, a proposal shall be presented by the board of directors and shall be approved by the shareholders' general meeting in accordance with the procedures stipulated in the Articles of Association. The Company shall then undertake the relevant approval process in a manner prescribed by law. A shareholder who objects to the proposal of merger or division shall be entitled to demand the Company or the shareholders who consent to the proposal of merger or division to acquire such dissenting shareholders' shareholding at a fair price. The contents of the resolution of merger or division of the Company shall be compiled into special documents which shall be available for inspection by the shareholders of the Company.

Such documents shall be sent by post to holders of overseas listed foreign shares of a company listed in Hong Kong.

**Article 256** In the event of a merger, the merging parties shall execute a merger agreement and prepare a balance sheet and an inventory of assets. The Company shall notify its creditors within 10 days after the date of the Company's resolution approving the merger and shall publish a public notice in newspapers or by other means within 30 days thereafter. The creditors are entitled to require the Company to settle the loans or to provide corresponding guarantees within 30 days after the receipt of the written notification, or in the event that no such notification is received, within 45 days after the date of the announcement.

**Article 257** Upon the merger, receivables and indebtedness of each of the merging parties shall be assumed by the company which survives the merger or the newly established company.

**Article 258** Where there is a division of the Company, its assets shall be divided up accordingly.

In the event of division of the Company, the parties shall prepare a balance sheet and an inventory of assets. The Company shall notify its creditors within 10 days after the date of the Company's resolution approving the division and shall publish a public announcement in newspapers or by other means within 30 days thereafter.

**Article 259** Debts of the Company prior to division shall be assumed jointly by the companies which exist after the division, unless agreed otherwise in the written agreement signed between the Company and creditors in respect of settlement of such debts prior to the division.

**Article 260** A balance sheet and an inventory of assets must be prepared by the Company if it needs to reduce registered capital. The Company shall notify its creditors within 10 days from the date of the resolution for reduction of registered capital and shall publish a public announcement in newspapers or by other means within 30 days thereafter. The creditors are entitled to require the Company to settle the loans or to provide corresponding guarantees within 30 days after the receipt of the written notification, or in the event that no such notification is received, within 45 days after the date of the announcement. The registered capital of the Company after reduction shall not be less than the statutory minimum amount.

**Article 261** The Company shall, in accordance with law, apply for change in its registration particulars with the company's registration authority where a change in any item in its registration arises as a result of any merger or division. Where the Company is dissolved, the Company shall apply for cancellation of its registration in accordance with law. Where a new company is established, that company shall apply for registration in accordance with the law.

Where the Company increase or reduce its registered capital, the Company shall, in accordance with law, apply for change in its registration with the company registration authorities.

## **Section 2 Dissolution and Liquidation**

**Article 262** The Company shall be dissolved and liquidated upon the occurrence of the following events:

- (I) the term of its operations set out in the Articles of Association has expired or other events of dissolution specified in the Articles of Association have occurred;
- (II) a resolution for dissolution is passed by shareholders at a shareholders' general meeting
- (III) dissolution is necessary due to a merger or division of the Company;
- (IV) the Company is legally declared insolvent due to its failure to repay debts as they become due;
- (V) the Company's business license is revoked or the Company is ordered to close down or de-registered according to laws;
- (VI) where the Company gets into serious trouble in operation and management and its continuation may cause substantial loss to the interests of shareholders, and no solution can be found through any other channel, shareholders representing more than 10% of the voting rights of all shareholders of the Company may request the People's Court to dissolve the Company.

**Article 263** The Company may continue to exist by amending the Articles of Association in the event of the circumstance as set forth in item (1) of Article 262.

The amendment to the Articles of Association according to the preceding article shall be passed by 2/3 of the voting rights held by shareholders present at the shareholders' general meeting.



**Article 264** In the case of dissolution of the Company under items (I), (II), (V) and (VI) of Article 262 hereof, a liquidation committee shall be formed to commence liquidation within 15 days from the date of occurrence of events giving rise to dissolution. The members of the liquidation committee shall be determined by the directors or the shareholders' general meeting. Where a liquidation committee is not established according to schedule, the creditors may apply to the People's Court to designate the relevant personnel to establish a liquidation committee to proceed with the liquidation.

In the case of dissolution of the Company under item (IV) of the Article 262 hereof, the People's Court shall, according to relevant legal provisions, organize the shareholders, relevant departments and professionals to form a liquidation committee to carry out liquidation.

**Article 265** If the board of directors decides the Company shall carry out liquidation (except for liquidation resulting from the Company's declaration of bankruptcy), it shall state in the notice of shareholders' general meeting convened for this purpose that the board of directors has conducted comprehensive investigation on the Company's conditions and believes that the Company is able to pay off all its debts within 12 months following the commencement of liquidation.

The functions and powers of the board of directors of the Company shall terminate immediately when the shareholders' general meeting adopts the resolution on liquidation.

The liquidation committee shall follow the directions of the shareholders' general meeting to report on its income and expenditures, the Company's business and progress of liquidation at least once a year to the shareholders' general meeting and make a final report to the shareholders' general meeting at the end of liquidation.

**Article 266** The liquidation committee shall exercise the following functions and powers during the period of liquidation:

- (I) to categorize the Company's assets and prepare a balance sheet and an inventory of assets respectively;
- (II) to inform creditors by a notice or public announcement;
- (III) to dispose of and liquidate any unfinished businesses of the Company;
- (IV) to pay all outstanding taxes and the taxes incurred from the process of liquidation;
- (V) to settle claims and debts;

(VI) to deal with the residual assets remaining after repayment by the Company of its debts;

(VII) to represent the Company in any civil proceedings.

**Article 267** The liquidation committee shall, within 10 days of its formation, notify the creditors, and shall, within 60 days, make a public announcement in newspapers or by other means. Creditors shall, within 30 days of the receipt of the notice or within 45 days of the release of the public announcement in the case of failure to receive said notice, file their creditors' rights with the liquidation committee.

Where creditors file their creditors' rights, they shall explain about the matters related to creditors' rights, and shall provide the evidentiary materials. The liquidation team shall register the creditors' rights.

The liquidation team may not clear off any of the debts of any creditors during the period of filing creditors' rights.

**Article 268** After the liquidation committee has sorted the Company's assets and prepared a balance sheet and an inventory of assets, it shall prepare a liquidation plan and submit it to the shareholders' general meeting or the People's Court for confirmation.

The remaining assets after paying off the liquidation expenses, wages of employees, social insurance premiums and statutory compensation, the outstanding taxes and the debts of the Company may be distributed in proportion to shareholding of the shareholders.

During the period of liquidation, the Company continues to exist but may not carry out any business operation that is not related to liquidation. Before the settlement of repayments as provided in the preceding article has been made, the Company's assets shall not be distributed to shareholders.

**Article 269** If the liquidation committee, having sorted the Company's assets and prepared the balance sheet and an inventory of assets, discovers that there are insufficient assets in the Company to pay off its debts, it shall apply to the People's Court immediately for a declaration of bankruptcy of the Company.

Upon the declaration of bankruptcy of the Company by the People's Court, the liquidation committee shall hand over the liquidation matters to the People's Court.

**Article 270** 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 submitted the same to the shareholders' general meeting or the People's Court for confirmation. The liquidation committee shall, within 30 days from the date of said confirmation made by the shareholders' general meeting or relevant competent authorities, submit the documents referred to in the preceding paragraph to the companies registration authority and apply for cancellation of registration of the Company, and publish a public announcement relating to the termination of the Company.

**Article 271** The members of the liquidation committee shall devote themselves to their duties and fulfill their obligations of liquidation according to laws. None of the members of the liquidation committee may take any bribe or any other illegal proceeds by taking advantage of his/her position, nor may he/she misappropriate any of the assets of the Company. Where any members of the liquidation committee cause any loss to the Company or any creditor with intention or due to gross negligence, he/she shall be liable to make compensation.

**Article 272** Where the Company is declared bankruptcy in accordance with laws, it shall implement bankruptcy liquidation in accordance with relevant laws relating to bankruptcy of enterprise.

### **CHAPTER 13 AMENDMENTS OF ARTICLES OF ASSOCIATION**

**Article 273** The Company may amend the Articles of Association in accordance with the requirements of laws, administrative regulations and the Articles of Association.

**Article 274** Under any one of the following circumstances, the Company shall amend its articles of association:

- (I) after amendment has been made to the Company Law or relevant laws or administrative regulations, the contents of the Articles of Association shall conflict with the amended laws or administrative regulations;
- (II) the changes that the Company have undergone are inconsistent with the records made in the Articles of Association;
- (III) the shareholders' general meeting decides that the Article of Association should be amended.

**Article 275** Amendments to the Articles of Association passed by resolutions at the shareholders' general meeting shall be required to be examined and approved by the competent authorities, and shall be submitted to the competent authorities for approval; where the amendments involve the registered particulars of the Company, procedures for change of registration shall be handled in accordance with the law.

**Article 276** The board of directors shall amend the Articles of Association according to the resolutions of the shareholders' general meeting and the opinions of the relevant competent authority.

**Article 277** Any amendments to the Articles of Association that involve information to be disclosed as required by the laws and regulations, shall be publicly announced as required.

**Article 278** Amendments to the Articles of Association which involve the contents of the Mandatory Provisions for the Articles of Association of Companies to Be Listed Overseas shall become effective upon receipt of approvals from the department authorized by the State Council and CSRC; where the amendments involve the registered particulars, procedures for change of registration shall be handled in accordance with the law.

## **CHAPTER 14 DISPUTE RESOLUTIONS**

**Article 279** The Company shall abide by the following principles for dispute resolution:

- (I) Whenever any disputes or claims of rights arise between: holders of the overseas listed foreign shares and the Company; holders of the overseas listed foreign shares and the Company's directors, supervisors and senior management; or holders of the overseas listed foreign shares and other shareholders, in respect of any rights or obligations as provided in the Articles of Association, the Company Law and other relevant laws and administrative regulations concerning the affairs of the Company, such disputes or claims shall be referred by the relevant parties to arbitration.

Where a dispute or claim referred to in the preceding paragraph is referred to arbitration, the entire claim or dispute 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, where such person is the Company, the shareholders, directors, supervisors, managing directors or other senior management of the Company, comply with the arbitration.

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

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

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

- (III) If any disputes or claims of rights are settled by way of arbitration in accordance with item (I) of this Article, the laws of the PRC shall apply, save as otherwise provided in the laws, regulations, rules and regulatory documents.

- (IV) The award of an arbitral body shall be final and conclusive and binding on all parties.

## **CHAPTER 15 SUPPLEMENTARY ARTICLES**

### **Article 280** Definitions

- (I) the controlling shareholder means a person who satisfies any one of the following conditions:
1. a person who may elect more than half of the directors when acting alone or in concert with others;
  2. a person who may exercise or control the exercise of 30% or more of the total voting shares of the Company when acting alone or in concert with others;
  3. a person who holds 30% or more of issued and outstanding shares of the Company when acting alone or in concert with others; or
  4. a person who may de facto control the Company in any other manner when acting alone or in concert with others.

The term “acting in concert” as referred to above shall mean that two or more persons, through legal means such as agreement (verbal or written), cooperation, affiliate relations, enlarge their control proportion in the shares of the Company or reinforce their control in the Company and take actions expressing the same will (including joint presentation of proposals, joint nomination of directors, entrustment of exercising the voting rights which do not state the voting intention but excluding the circumstance where proxy is publicly collected) when exercising the voting rights of the Company.

- (II) a de facto controller means a person who, though not a shareholder, but through investment relationships, agreements, or other arrangements, may actually control the activities of the Company;
- (III) associated relationship is the relationship between the Company’s controlling shareholder, de facto controller, directors, supervisors or senior management, and enterprises directly or indirectly controlled by them, as well as other relationships which may possibly cause the transfer of the Company’s interests. However, enterprises owned by the State will not be regarded as having associated relationships among themselves only because they are owned by the State.

**Article 281** The board of directors may formulate by-laws in accordance with the provisions of the Articles of Association, provided that such by-laws shall not be in violation of the Articles of Association.

**Article 282** The Articles of Association are written in Chinese. In case of any inconsistency between the articles of association in any other language or of different version and the Articles of Association, the latest Chinese version of the Articles of Association approved by and registered with the Shandong Administration for Industry and Commerce shall prevail.

**Article 283** The term “above”, “within”, “following”, as stated in the Articles of Association shall all include the given figure; the term “not exceeding”, “except”, “lower”, “more” shall all exclude the given figure.

**Article 284** The board of directors shall be responsible for the interpretation of the Articles of Association.

**Article 285** Annexes to the Articles of Association include the Rules of Procedure for Shareholders’ General Meetings, the Rules of Procedure for Meetings of the Board of Directors and the Rules of Procedure for the Supervisory Committee.

**Article 286** The Articles of Association shall be considered and approved at a shareholders’ general meeting, and shall take effect from the date when the H Shares publicly issued by the Company are listed and traded on the Stock Exchange of Hong Kong.