

# **Kunming Dianchi Water Treatment Co., Ltd.**

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

## **Articles of Association**

**(Listing)**

**Amended by a special resolution at the Annual General Meeting  
held on 19 June 2020**

# *The original version of the Articles of Association of the Company (“AOA”) is in Chinese, and the English version of the AOA is the translation from the Chinese original. Should there be any discrepancy between the Chinese and English versions of the AOA, the Chinese version shall prevail.*

## Contents

<b>CHAPTER 1</b>	<b>GENERAL PROVISIONS</b> .....	<b>1</b>
<b>CHAPTER 2</b>	<b>BUSINESS OBJECTIVES AND SCOPE</b> .....	<b>3</b>
<b>CHAPTER 3</b>	<b>SHARES AND REGISTERED CAPITAL</b> .....	<b>4</b>
<b>CHAPTER 4</b>	<b>INCREASE AND DECREASE IN CAPITAL AND REPURCHASE OF SHARES</b> .....	<b>8</b>
<b>CHAPTER 5</b>	<b>FINANCIAL ASSISTANCE FOR THE PURCHASE OF SHARES IN THE COMPANY</b> .....	<b>13</b>
<b>CHAPTER 6</b>	<b>SHARE CERTIFICATES AND REGISTER OF MEMBERS</b> .....	<b>14</b>
<b>CHAPTER 7</b>	<b>SHAREHOLDERS' RIGHTS AND OBLIGATIONS</b> .....	<b>23</b>
<b>CHAPTER 8</b>	<b>SHAREHOLDERS' GENERAL MEETING</b> .....	<b>27</b>
<b>CHAPTER 9</b>	<b>SPECIAL VOTING PROCEDURES FOR CLASS SHAREHOLDERS</b> .....	<b>41</b>
<b>CHAPTER 10</b>	<b>PARTY ORGANIZATION AND THE WORKING COMMITTEE OF THE PARTY</b> .....	<b>45</b>
<b>CHAPTER 11</b>	<b>DIRECTORS AND BOARD OF DIRECTORS</b> .....	<b>48</b>
	SECTION 1 DIRECTORS .....	<b>48</b>
	SECTION 2 BOARD OF DIRECTORS .....	<b>50</b>
	SECTION 3 SPECIAL COMMITTEES UNDER THE BOARD .....	<b>57</b>
<b>CHAPTER 12</b>	<b>SECRETARY OF THE BOARD OF THE COMPANY</b> .....	<b>58</b>
<b>CHAPTER 13</b>	<b>THE GENERAL MANAGER AND OTHER SENIOR MANAGEMENT MEMBERS</b> .....	<b>60</b>
<b>CHAPTER 14</b>	<b>BOARD OF SUPERVISORS</b> .....	<b>61</b>
<b>CHAPTER 15</b>	<b>QUALIFICATIONS AND OBLIGATIONS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT MEMBERS OF THE COMPANY</b> .....	<b>65</b>
<b>CHAPTER 16</b>	<b>FINANCIAL AND ACCOUNTING SYSTEM</b> .....	<b>74</b>
<b>CHAPTER 17</b>	<b>DISTRIBUTION OF PROFITS</b> .....	<b>75</b>
<b>CHAPTER 18</b>	<b>APPOINTMENT OF ACCOUNTING FIRM</b> .....	<b>78</b>
<b>CHAPTER 19</b>	<b>NOTICE</b> .....	<b>82</b>
<b>CHAPTER 20</b>	<b>MERGER AND DIVISION OF THE COMPANY</b> .....	<b>84</b>
<b>CHAPTER 21</b>	<b>DISSOLUTION AND LIQUIDATION OF THE COMPANY</b> .....	<b>86</b>
<b>CHAPTER 22</b>	<b>AMENDMENT TO THE ARTICLES OF ASSOCIATION OF THE COMPANY</b> .....	<b>89</b>
<b>CHAPTER 23</b>	<b>DISPUTE RESOLUTION</b> .....	<b>89</b>
<b>CHAPTER 24</b>	<b>SUPPLEMENTARY PROVISIONS</b> .....	<b>91</b>

# Articles of Association of Kunming Dianchi Water Treatment Co., Ltd. (Listing)

## Chapter 1 General Provisions

**Article 1** Kunming Dianchi Water Treatment Co., Ltd. (the “**Company**”) is a joint stock limited company incorporated in accordance with the “Company Law of the People’s Republic of China” (the “**Company Law**”) (the “**PRC**”), the Securities Law of the PRC (the “**Securities Law**”), the “Special Regulations of the State Council on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies” (the “**Special Regulations**”), the Mandatory Provisions for Articles of Association of Companies to be Listed Overseas, the Letter of the Opinion on the Supplemental Amendments to the Articles of Association of Companies to be Listed in Hong Kong, the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “**Main Board Listing Rules**”), and other relevant national laws and administrative regulations.

Pursuant to the approval of the State-owned Assets Supervision and Administration Commission of the government of Kunming City, the Company was established by way of promotion on 22 December 2010 and was registered with the Administration for Industry and Commerce of Kunming City on 23 December 2010 to obtain its business license. The number of the business license of the Company is 91530100568810129D.

The Company is a joint stock limited company established by Kunming Dianchi Investment Co. Ltd.\*, Kunming Development Investment Group Co. Ltd.\*, Kunming Industrial Development and Investment Co. Ltd.\*, Kunming State-owned Assets Management and Operations Co. Ltd.\*, Kunming Xindu Real Estate Co. Ltd.\* as its promoters.

**Article 2** Registered name of the Company:

Chinese name: 昆明滇池水務股份有限公司

Abbreviation: 滇池水務

English name: Kunming Dianchi Water Treatment Co., Ltd.

Abbreviation: DCWT

\* For identification purpose only

**Article 3** Place of domicile of the Company: Wastewater Treatment Plant No. 7, Hubin Road, Kunming Dianchi Tourist Resort, Kunming City, Yunnan Province

Postal code: 650228

Tel: 0871-65188820

Fax: 0871-65188261

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

**Article 5** The business type of the Company is a joint stock limited company in perpetual existence (a joint venture between Taiwan/Hong Kong/Macao and the Mainland, listed) and is an independent legal entity. The Company shall undertake its liabilities with all of its assets, while the liability of a shareholder of the Company shall be limited to the shares subscribed by him/her.

The business type referred to in the preceding paragraph shall be subject to the filing at the company registration authority.

The Company may, based on the actual composition of the shares, handle the procedures for changes in the registration with the administration for industry and commerce according to regulations.

**Article 6** The Articles of Association, being the code of conduct for the Company, are passed by way of a special resolution at the shareholders' general meeting of the Company, and come into effect from the date of listing and commencement of trading in the Company's overseas-listed foreign-invested shares on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") with the approval by relevant departments and regulatory authorities of the PRC. The Articles of Association supersede our Articles of Association previously filed with industry and commerce administration authorities. From the date of the Articles of Association becoming effective, the Articles of Association constitute a legally binding document regulating the Company's organization and activities, and the rights and obligations between the Company and each shareholder and among the shareholders inter se. The Company shall comply with the requirements of the Company Law, the Securities Law, the Special Regulations, the Main Board Listing Rules and the Articles of Association.

**Article 7** The Articles of Association shall have binding effect on the Company and its shareholders, directors, supervisors and senior management members; the aforementioned person(s) may assert claims in respect of the Company’s affairs pursuant to the Articles of Association.

Pursuant to the Articles of Association, shareholders may institute legal proceedings against shareholders; shareholders may institute legal proceedings against shareholders; and shareholders may institute legal proceedings against directors, supervisors and senior management members of the Company.

“Legal proceedings” referred to in the preceding paragraph includes any legal action brought before a court and any arbitration application submitted to an arbitration institution.

**Article 8** The Company may invest in other limited liability companies, joint stock limited companies or other entities, and the Company’s liabilities to an investee company shall be limited to the amount of its capital contribution to such investee company.

The Company shall not become a capital contributor that shall bear the joint liabilities for the debts of its investee, unless it is otherwise provided for by any law.

**Article 9** “Senior management members” referred to in the Articles of Association include general manager, chief financial officer, deputy general manager, chief engineer and secretary of the Board of Directors of the Company (the “**Board**”).

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

**Article 10** The business objectives of the Company are: to operate as a standardised joint stock company in accordance with international common practices, to manage in scientific and efficient method, to leverage the Group’s operation advantages of securitization, diversification, intensification and internationalization, to be committed to urban water industry construction, to contribute to social and economic development, to bring maximum interests to shareholders and create good social benefits.

**Article 11** The Company’s business scope is as follows:

Wastewater treatment and recycling, investment, construction and operation of the relevant water infrastructure projects; investment, construction and operation in relevant upstream and downstream industries of water industry chain; investment, construction and operation of relevant environmental protection related industries, investment management and consulting; research, development, consulting and auxiliary services of wastewater treatment technology; collection of wastewater treatment fees; plantation and sales of seedlings and bonsai; air pollution control projects; urban domestic garbage treatment and investment, operation and management of relevant auxiliary facilities; soil restoration; environmental pollution treatment and operation of facilities; import and export of goods and technologies.

“The Company’s business scope” mentioned in the preceding paragraph shall be consistent with the business scope registered with the authority responsible for the Company’s registration.

The Company may, based on any changes in domestic and international markets, business development and its own capability, adjust its scope of business and handle relevant formalities of industry and commerce administration registration for such adjustment according to relevant provisions.

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

**Article 12** The Company shall have ordinary shares at all times. Ordinary shares issued by the Company include domestic shares and foreign shares. The Company may, according to its needs and subject to the approval by company approving department authorized by the State Council, create other classes of shares.

**Article 13** Shares of the Company adopt the form of equity.

All shares issued by the Company shall have a par value of RMB1 per share. “Renminbi” referred to in the preceding paragraph shall mean the lawful currency of the People’s Republic of China.

**Article 14** The shares of the Company shall be issued in accordance with the principles of openness, fairness and impartiality, and same right is attached to each share of the same class.

The terms and issue price of shares of the same class issued in one issuance shall be same and same price shall be paid by each institution or individual for each share subscribed.

Domestic shares and overseas-listed foreign-invested shares issued by the Company are entitled to the same rights in any distribution in the form of dividend or any other forms.

**Article 15** Subject to approval of competent securities regulatory authorities of the State Council, the Company may issue shares to domestic investors and overseas investors.

“Overseas investors” referred to in the preceding paragraph means investors located in foreign countries, Hong Kong, Macau and Taiwan, who subscribe shares issued by the Company. “Domestic investors” means investors located in the PRC, excluding the regions mentioned above, who subscribe for shares issued by the Company.

**Article 16** Shares issued by the Company to domestic investors for subscription in RMB are referred to as domestic shares. Shares issued by the Company to overseas investors for subscription in foreign currencies are referred to as foreign shares. Overseas-listed foreign-invested shares are referred to as overseas-listed foreign-invested shares.

“Foreign currencies” referred to in the preceding paragraph mean the lawful currencies (other than Renminbi) of other countries or regions which are recognized by the foreign exchange authority of the PRC and which can be used to pay the share price to the Company.

Both holders of domestic shares and holders of foreign shares are holders of ordinary shares, and have and bear the same rights and obligations.

**Article 17** Foreign shares issued by the Company and listed in Hong Kong are referred to as H shares. H shares refer to the shares approved to be listed on the Hong Kong Stock Exchange, the par value of which are denominated in RMB, and are subscribed for and traded in Hong Kong dollars.

**Article 18** The Company issued 360 million ordinary shares to its promoters upon its establishment. All these shares were subscribed for and paid up by promoters of the Company in agreed capital contribution method before 28 December 2012. Shareholding of promoters of the Company upon its establishment sets out as follows:

<b>No.</b>	<b>Promoter</b>	<b>Number of shares (ten thousand)</b>	<b>Shareholding (%)</b>
1.	Kunming Dianchi Investment Co. Ltd.	34,494.30	95.82
2.	Kunming Development Investment Group Co. Ltd.	1,095.00	3.04
3.	Kunming Industrial Development and Investment Co. Ltd.	136.90	0.38
4.	Kunming State-owned Assets Management and Operations Co. Ltd.	136.90	0.38
5.	Kunming Xindu Real Estate Co. Ltd.	<u>136.90</u>	<u>0.38</u>
	Total	<u><u>36,000</u></u>	<u><u>100</u></u>

Based on a total of 360,000,000 shares of the Company as at 31 December 2014, bonus shares of 360,000,000 in total were issued to all shareholders by transfer of capital reserve on the basis of 10 shares for 10 shares. Upon completion of the transfer, total share capital of the Company was increased to 720,000,000 shares.

Number of shares held by and shareholding of each shareholder upon completion of the transfer are as follows:

<b>No.</b>	<b>Promoter</b>	<b>Number of shares (ten thousand)</b>	<b>Shareholding (%)</b>
1.	Kunming Dianchi Investment Co. Ltd.	68,988.60	95.82
2.	Kunming Development Investment Group Co. Ltd.	2,190.00	3.04
3.	Kunming Industrial Development and Investment Co. Ltd.	273.80	0.38
4.	Kunming State-owned Assets Management and Operations Co. Ltd.	273.80	0.38
5.	Kunming Xindu Real Estate Co. Ltd.	<u>273.80</u>	<u>0.38</u>
	Total	<u><u>72,000</u></u>	<u><u>100</u></u>



**Article 19** Upon the approval from the competent authority of securities of the State Council, the Company may issue not more than 354,626,000 H shares. Pursuant to the Provisional Administrative Measure on Reduction of State-owned Shares to Raise Social Security Fund (《減持國有股籌集社會保障資金管理暫行辦法》) and relevant requirements of the State Council, the state-owned Shareholders of the Company will transfer not more than 35,462,600 state-owned shares held by it to the National Council for Social Security Fund of the PRC while issuing overseas-listed foreign-invested shares.

As at 12 May 2017, subsequent to the completion of the above issuance by the Company through exercise of over-allotment option, the original shares transferred by five state-owned shareholders including Kunming Dianchi Investment Co., Ltd. etc. to the National Council for Social Security Fund of the PRC were converted into H shares, the Company exercised the over-allotment option and issued 340,023,000 H shares, and the shareholding structure of the Company was as follows:

No.	Promoter	Number of shares (share)	Shareholding (%)
1	Kunming Dianchi Investment Co. Ltd.	660,266,893	64.17
2	Kunming Development Investment Group Co. Ltd.	20,959,760	2.04
3	Kunming Industrial Development and Investment Co. Ltd.	2,620,449	0.25
4	Kunming State-owned Assets Management and Operations Co. Ltd.	2,620,449	0.25
5	Kunming Xindu Real Estate Co. Ltd.	2,620,449	0.25
6	Public float	340,023,000	33.04
Total		<u>1,029,111,000</u>	<u>100</u>

**Article 20** The Company's proposal for the issuance of overseas-listed foreign-invested shares and domestic shares, upon approval by securities regulatory authorities of the State Council, may be implemented by the Board of the Company through separate offerings.

The Company may implement its proposal for issuance of overseas-listed foreign-invested shares and domestic shares respectively pursuant to the preceding paragraph within 15 months from the date of approval by securities regulatory authorities of the State Council.

**Article 21** Where the Company issues overseas-listed foreign-invested shares and domestic shares respectively within the total number of shares stated in the issuance proposal, such shares shall be fully subscribed at one time respectively. If the shares cannot be fully subscribed at one time under special circumstances, the shares may be issued in separate offerings subject to the approval of securities regulatory authorities of the State Council.

**Article 22** The registered capital of the Company prior to the issue is RMB720,000,000. The registered capital of the Company subsequent to the issue is RMB1,029,111,000.

**Article 23** Unless otherwise provided by the PRC laws, administrative regulations and relevant requirements of the securities regulatory authorities in the place where the Company's shares are listed, fully-paid shares of the Company are freely transferable and are not subject to any lien. Transfer of overseas-listed foreign-invested shares listed in Hong Kong requires to be registered with the share registrar in Hong Kong entrusted by the Company.

#### **Chapter 4 Increase and Decrease in Capital and Repurchase of Shares**

**Article 24** The Company may, based on its requirements for operation and development and in accordance with the relevant provisions of the laws, regulations and the Articles of Association, by special resolution(s) at the shareholder's general meeting, increase its capital by way of:

- (1) offering new shares to non-designated investors for subscription;
- (2) placing new shares to its existing shareholders;
- (3) distributing new shares to its existing shareholders;

- (4) issuance of new shares to particular investors;
- (5) transfer of capital reserve fund into share capital; and
- (6) any other means approved by laws, administrative regulations and relevant regulatory authorities.

The Company's increase of capital by issuing new shares shall, after being approved in accordance with the provisions of the Articles of Association, be conducted in accordance with the procedures stipulated by relevant laws and administrative regulations.

**Article 25** The Company has the power to sell the shares of a shareholder who is untraceable in the manner as deemed appropriate by the Board, subject to the following conditions:

- (1) during a period of 12 years at least three times dividends in respect of the shares in question have become payable and no dividend during that period has been received by shareholders; and
- (2) on expiry of the 12 years, the Company shall give notice of its intention to sell the shares by way of an advertisement in newspapers upon approval from the securities regulatory authority of the State Council, and notify such authority and relevant overseas stock exchanges and securities regulatory authorities where our shares are listed of such intention.

**Article 26** In accordance with the provisions of the Articles of Association, the Company may reduce its registered share capital. The reduction of registered capital shall be made in accordance with the Company Law and other relevant requirements as well as procedures stipulated in the Articles of Association.

**Article 27** When the Company reduces its registered capital, it must draw up a balance sheet and an inventory of assets.

The Company shall notify its creditors within 10 days from the date of the Company's resolution for reduction of registered capital and shall publish a notice in a newspaper within 30 days from the date of such resolution. A creditor has the right within 30 days from the date of receiving the notice from the Company or, in the case of a creditor who does not receive the notice, within 45 days from the date of the notice, to demand the Company to repay its debts or provide a corresponding guarantee for such debt.

**Article 28** The Company may, according to provisions of laws, administrative regulations, Main Board Listing Rules, departmental rules and regulations and the Articles of Association and subject to the approval of the relevant governing authority of the State, repurchase its shares under the following circumstances:

- (1) cancellation of shares for the reduction of its registered capital;
- (2) merging with another company that holds shares in the Company;
- (3) granting shares as an incentive to its employees;
- (4) a shareholder who objects to a resolution on the merger or division of the Company adopted at a shareholders' general meeting requests that the Company purchase that shareholder's shares;
- (5) other circumstances permitted by laws and approved by regulatory authorities.

**Article 29** The Company may, with the approval of the relevant governing authority of the State for repurchasing its shares, conduct the repurchase in one of the following ways:

- (1) making a pro rata general offer of repurchase to all of its shareholders;
- (2) repurchase shares through public dealing on a stock exchange;
- (3) repurchase by an off-market agreement; or
- (4) any other circumstances permitted by the laws and administrative regulations and approved by the governing authorities.

**Article 30** Where the Company repurchases its shares for any reason mentioned in (1) to (3) of Article 28 above of the Articles of Association or by an off-market agreement, the prior sanction of shareholders at a general meeting shall be obtained in accordance with the Articles of Association. The Company may release, vary or waive its rights under a contract so entered into by the Company with the prior approval of shareholders at a general meeting obtained in the same manner.

“Contract to repurchase shares” referred to in the preceding paragraph includes (but not limited to) an agreement to become obliged to repurchase or an acquisition of the right to repurchase shares of the Company.

The contract to repurchase its shares or any rights provided therein shall not be assigned by the Company.

**Article 31** For the purpose of the redeemable shares which the Company has the right to repurchase, their prices shall be limited to a certain maximum price if they are not repurchased through the market or by tender. In case of repurchase by tender, tenders shall be offered to all shareholders on equal conditions. The Company shall not be permitted to transfer a contract for the repurchase of its shares nor to assign any rights stipulated in such contract.

**Article 32** Where shares are repurchased lawfully pursuant to sub-paragraph (1) of Article 28 of the Articles of Association, such shares shall be cancelled within 10 days from the date of repurchase; in case of repurchase pursuant to sub-paragraphs (2) and (4) of Article 28 of the Articles of Association, such shares shall be transferred or cancelled within 6 months thereafter; in case of repurchase pursuant to sub-paragraph (3) of Article 28 of the Articles of Association, such shares shall not be more than 5% of the total issued share capital of the Company; funds used for repurchase shall be financed out of profits after tax of the Company; repurchased shares shall be transferred to the employees within one year.

After cancelling repurchased shares lawfully, the Company shall apply to the original companies registration authority for registration of the change of its registered capital and issue a relevant press announcement.

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

**Article 33** The Company shall not accept any shares of the Company as subject of pledge.

**Article 34** Unless the Company is in the course of liquidation, it must comply with the following provisions in relation to repurchase of its issued shares:

- (1) where the Company repurchases shares at par, payment shall be made out of book surplus of distributable profits of the Company or out of the proceeds of a fresh issue of shares made for that purpose;

- (2) where the Company repurchases shares at a premium to par value, payment up to the par value shall be made out of the book surplus distributable profits of the Company or out of the proceeds of a fresh issue of shares made for that purpose. Payment of the portion in excess of the par value shall be effected as follows:
  - i. if the shares being repurchased were issued at par value, payment shall be made out of the book surplus of distributable profits of the Company; or
  - ii. if the shares being repurchased were issued at a premium to par value, payment shall be made out of the book surplus of distributable profits of the Company and out of the proceeds of a fresh issue of shares made for that purpose, provided that the amount paid out of the proceeds of the fresh issue shall not exceed the aggregate premiums received on the issue of the shares repurchased, or the amount of the Company's share premium account (or capital reserve fund account, including the premiums on the fresh issue);
- (3) payment by the Company in consideration of the following shall be made out of the Company's distributable profits:
  - i. acquisition of rights to repurchase shares of the Company;
  - ii. variation of any contract to repurchase shares of the Company; and
  - iii. release of any of the Company's obligation under any contract to repurchase shares of the Company.
- (4) after the Company's registered capital has been reduced by the total par value of the cancelled shares in accordance with the relevant provisions, the amount deducted from the distributable profits for payment of the par value portion of the shares repurchased shall be transferred to the Company's share premium account (or capital reserve fund account).

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

**Article 35** The Company and its subsidiaries shall not, by any means at any time, provide any kind of financial assistance to a person who is acquiring or is proposing to acquire shares of the Company. The said acquirer of shares includes a person who directly or indirectly incurs any obligations due to the acquisition of shares of the Company.

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

This Article shall not apply to the circumstances referred to in Article 37 in the Articles of Association.

**Article 36** “Financial assistance” referred to in this chapter includes (without limitation to) the following:

- (1) gift;
- (2) guarantee (including the assumption of liability by the guarantor or the provision of assets by the guarantor to secure the performance of obligations by the obligor), or compensation (other than compensation in respect of the Company’s own default) or release or waiver of any rights;
- (3) provision of loan or any other contract under which the obligations of the Company are to be fulfilled before the obligations of another party, and a change in the parties to, or the assignment of rights arising under, such loan or contract; and
- (4) any other form of financial assistance given by the Company when the Company is insolvent or has no net assets or when its net assets would thereby be reduced to a material extent.

“Incurring any obligations” referred to in this chapter includes the incurrance of obligations by the changing of the obligor’s financial position by way of contract or the making of an arrangement (whether enforceable or not, and whether made on its own account or with any other persons), or by any other means.

**Article 37** The following activities shall not be deemed to be prohibited by Article 35 of the Articles of Association:

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

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

**Article 38** The share certificates of the Company shall be in registered form.

In addition to those provided in the Company Law, the share certificates of the Company shall contain other items required to be specified by the stock exchange on which the shares of the Company are listed.



During the period when H shares are listed on the Hong Kong Stock Exchange, the Company must ensure that the following statements are included in all title documents (including H shares certificates) relating to its securities listed on the Hong Kong Stock Exchange, and shall instruct and cause its share registrar not to register the subscription, purchase or transfer of any of its shares in the name of any individual holder unless and until such holder delivers to such share registrar a completed and signed form in respect of such shares bearing the following statements:

- (1) The share purchasers and the Company and each of the shareholders, and the Company and each of the shareholders shall agree to observe and comply with the requirements of the Company Law, the Special Regulations and other relevant laws, administrative regulations and the Articles of Association;
- (2) The share purchasers and the Company, each of the shareholders, directors, supervisors, general manager and other senior management members of the Company shall agree, and the Company acting on its own behalf and for the benefit of each director, supervisor, general manager and other senior management member shall agree with each shareholder, that all disputes or claims incurred as a result of rights or obligations provided by the Articles of Association or the Company Law or other relevant law or administrative regulations or in relation to the affairs of the Company shall be submitted to arbitration in accordance with the Articles of Association, and any reference to arbitration shall be deemed to authorize the arbitration tribunal to conduct hearing in open session and to publish its award. Such arbitration shall be final and conclusive;
- (3) The share purchasers and the Company and each of the shareholders agree the shares of the Company may be freely transferred by the holder thereof;
- (4) The share purchasers authorize the Company to enter into a contract on their behalf with each of the directors, general manager and other senior management members. Pursuant to the contract, the directors, general manager and other senior management members undertake to observe and fulfill their responsibilities to the shareholders under the Articles of Association.

**Article 39** The shares of the Company may be transferred, donated, inherited and pledged in accordance with the relevant laws, administrative rules and the Articles of Association. The transfer and other documents in relation to the ownership of shares must be registered by the share registrar entrusted by the Company.

**Article 40** The share certificates shall be signed by the Chairman. Where the stock exchange on which the shares of the Company are listed requires the share certificates to be signed by other senior management members of the Company, such share certificates shall also be signed by other relevant senior management members. The share certificates shall be effective after being affixed or printed with the seal of the Company. The share certificates shall only be affixed or printed with the company seal with the authorization of the Board. The signatures of the Chairman or other relevant senior management members on the share certificates may also be in printed form.

**Article 41** The Company shall keep a register of members containing the following particulars:

- (1) the name, address (place of domicile), occupation or nature of business of each shareholder;
- (2) the class and number of shares held by each shareholder;
- (3) the amount paid-up or payable in respect of shares held by each shareholder;
- (4) the share certificate numbers of the shares held by each shareholder;
- (5) the date on which each shareholder was registered as a shareholder;
- (6) the date on which any shareholder ceased to be a shareholder.

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

**Article 42** Subject to the Articles of Association and other applicable requirements and upon transfer of the Company's shares, the transferees of the shares will become the holders of such shares with their names being entered in the register of shareholders.

All instruments of transfer and other documents related to the ownership of any H shares or affecting the ownership of any H shares shall be registered. If any fees are charged in respect of such registration, such fees shall not exceed the highest fees as prescribed by the Hong Kong Stock Exchange.

Where two or more than two persons are registered as joint holders of any shares, they should be deemed as joint owners of such shares and subject to the following restrictions:

- (1) the restricted number of holders jointly registered shall not exceed four if the Company is entitled to restrict the number of shareholders of joint holders account;
- (2) all joint holders of any shares shall jointly and severally assume obligation for all amounts payable for relevant shares;
- (3) if one of the joint holders dies, only the surviving joint holders shall be deemed by the Company to be such persons as having the ownership of the relevant shares. The Board shall have the right, for the purpose of making amendments to the register of shareholders, to demand a death certificate of the relevant shareholder where it deems appropriate to do so; and
- (4) for joint holders of any shares, only the joint holder whose name appears first in the register of shareholders has the rights to receive the certificate of relevant shares and notice from the Company. The notice which is serviced on the above-mentioned person should be deemed to be serviced on all of the joint shareholders of relevant shares. Any of joint holders may attend a shareholders' general meeting of the Company or exercise the voting rights of the shares (regardless of attendance in person or by proxy). In case more than one joint holder attends the shareholders' general meeting in person or by proxy, only the attender whose name appears first in the register of shareholders among such joint holders is entitled to vote for such shares.

**Article 43** The Company may, in accordance with the mutual understanding and agreements made between the securities regulatory authorities of the State Council and overseas securities regulatory authorities, keep its original register of holders of overseas-listed foreign-invested shares outside of the PRC and appoint overseas agent(s) to manage such register. The original register of holders of overseas-listed foreign-invested shares listed in Hong Kong shall be maintained in Hong Kong. The Company shall maintain a duplicate of the register of holders of overseas-listed foreign-invested shares at its place of domicile. The appointed overseas agent(s) shall ensure consistency between the original version and the duplicate register of holders of overseas-listed foreign-invested shares at all times.

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

**Article 44** The Company shall maintain a complete register of members. The register of members shall include the following parts:

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

**Article 45** Different parts of the register of members shall not overlap one another. No transfer of the shares registered in any part of the register shall, during the existence of share registration, be registered in any other parts of the register of members.

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

#### Article 46

All transfers of overseas-listed foreign-invested shares shall be carried out in general or common format, or any other written transfer instrument format acceptable to the Board (including the standard transfer format or form of transfer as prescribed by the Hong Kong Stock Exchange from time to time); a written transfer document may be signed under hand or (where the transferor or transferee is a corporation) by the company's seal. In the event that the transferor or transferee of the shares of the Company is a recognized clearing house (the "**Recognized Clearing House**") as defined under the law of Hong Kong or its agent, a written transfer instrument may be signed in a machine-printed form.

All fully paid-up share capital of overseas-listed foreign-invested shares listed in Hong Kong is freely transferable pursuant to the Articles of Association. The Board may refuse to recognize any instrument of transfer without explanation, unless such transfer is in compliance with the following conditions:

- (1) a fee (for each instrument of transfer) of HK\$2.5 or any higher fee as agreed by the Hong Kong Stock Exchange has been paid to the Company to register the instrument of transfer of shares and other documents relating to or affecting the ownership of such shares;
- (2) the instrument of transfer involves only the overseas-listed foreign-invested shares listed in Hong Kong;
- (3) the stamp duty payable on the instrument of transfer has been paid;
- (4) the relevant share certificates and evidence reasonably required by the Board showing that the transferor has the right to transfer such shares shall be provided;
- (5) if the shares are to be transferred to joint holders, the number of joint holders shall not exceed 4;
- (6) the Company does not have any lien over the relevant shares; and
- (7) no transfer shall be made to minors or persons of unsound mind or others under legal disability.

If the Company refuses to register any transfer of shares, the Company shall within two (2) months of formal application for the transfer provide the transferor and transferee with a notice of refusal to register such transfer.

**Article 47** Shares held by promoters of the Company may not be transferred within one year after the Company's establishment.

The directors, supervisors and senior management members of the Company shall report to the Company the number of shares held by them in the Company and the subsequent changes in their shareholdings. The number of shares which such persons may transfer every year during their terms of office shall not exceed 25% of the total number of the Company's shares in his or her possession. Such personnel shall not transfer the Company's shares in their possession within half year after they have terminated their employment with the Company.

**Article 48** Upon obtaining approval from the competent securities regulatory authorities of the State Council, shareholders of domestic shares can transfer their shares to foreign investors, and trade in foreign markets. When transferred shares are listed and traded on a foreign stock exchange, the shares are subject to the supervision procedures, regulations and requirements of the foreign stock exchange. The Company does not need to convene a class meeting to vote for the transferred shares traded in foreign stock exchange.

**Article 49** No changes in the shareholders' register due to the transfer of shares may be made within 30 days before the date of a general meeting or within 5 days before the record date for the Company's distribution of dividends.

**Article 50** When the Company convenes a general meeting, distributes dividends, enters into liquidation and engages in other activities that involve confirmation of equity interests, the Board shall determine a specific day for confirmation of equity interests. Shareholders named in the register of members by the end of the date of confirmation of equity interests shall be the shareholders of the Company.

**Article 51** Any person who objects to the register of members and requests to have his name included in or removed from the register of members may apply to the court of jurisdiction to amend the register of members.

**Article 52** Any shareholder who is registered in, or any person who requests to have his/her name (title) entered into, the register of members may, if his/her share certificate (the “**Original Certificate**”) is lost, apply to the Company for a replacement share certificate in respect of such shares (the “**Relevant Shares**”).

If a holder of domestic shares loses his/her share certificate and applies for a replacement share certificate, it shall be dealt with in accordance with the requirement of Article 143 of the Company Law.

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

If a holder of H shares loses his/her share certificate and applies for a replacement share certificate, such share certificate shall be issued in compliance with the following requirements:

- (1) the applicant shall submit an application to the Company in the standard form prescribed by the Company accompanied by a notarially certified certificate or statutory declaration containing the grounds upon which the application is made by the applicant and the circumstances and evidence of the loss of the share certificate as well as declaring that no other person is entitled to request to be registered as the shareholder of the Relevant Shares.
- (2) before the Company decides to issue the replacement share certificate, no statement is made by a person other than the applicant requesting that he/she shall be registered as the shareholder in respect of such Relevant Shares.
- (3) the Company shall, if it decides to issue a replacement share certificate to the applicant, make an announcement of its intention to issue the replacement share certificate in such newspapers and periodicals designated by the Board; the announcement shall be made at least once every 30 days for a period of 90 days. The newspapers and periodicals designated by the Board shall be at least one Chinese and English newspaper and periodical recognized by Hong Kong Stock Exchange.



- (4) prior to the publication of its intention to issue a replacement share certificate, the Company shall have delivered to the Hong Kong Stock Exchange a copy of the announcement to be published. The Company may publish the announcement upon receiving a confirmation from the Hong Kong Stock Exchange that the announcement has been displayed at the premises of the Hong Kong Stock Exchange. The announcement shall be displayed at the premises of the Hong Kong Stock Exchange for a period of 90 days. In case an application to issue a replacement share certificate has been made without the consent of the registered holder of the Relevant Shares, the Company shall deliver by mail to such registered shareholder a copy of the announcement to be published.
- (5) if, upon expiration of the 90-day period of announcement and display referred to in paragraphs (3) and (4) of this Article, the Company has not received from any person any objection to such application, the Company may issue a replacement share certificate to the applicant accordingly.
- (6) where the Company issues a replacement share certificate in accordance with this Article, it shall forthwith cancel the Original Certificate and record the cancellation and replacement matters in the register of members accordingly.
- (7) all expenses relating to the cancellation of the Original Certificate and the issuance of a replacement share certificate by the Company shall be borne by the applicant. The Company may refuse to take any action until a reasonable guarantee is provided by the applicant.

**Article 53** After the Company issues a replacement share certificate pursuant to the Articles of Association, the name of a bona fide purchaser who obtains the aforementioned new share certificate or a shareholder who thereafter is registered as the owner of such shares (in the case where he/she is a bona fide purchaser) shall not be deleted from the register of members.

**Article 54** The Company shall not have any obligation to indemnify any person for any damages suffered thereby arising out of the cancellation of the Original Certificate or the issuance of a replacement share certificate, unless such person concerned can prove that the Company has committed a fraudulent act.



With regard to the exercise of power to issue warrants in bearer form regarding the issuance of share certificates to anonymous shareholders, unless the Company is convinced without reasonable doubt the original warrants have been destroyed, no new warrant shall be issued to replace the missing warrant.

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

**Article 55** A shareholder of the Company is a person who lawfully holds shares of the Company and has his/her name (title) recorded in the register of members.

A shareholder shall enjoy the relevant rights and assume the relevant obligations in accordance with the class and number of shares he/she holds. Shareholders holding the same class of shares shall enjoy the same rights and assume the same obligations.

All classes of shareholders of the Company shall have equal rights in any distribution in the form of a dividend or any other form.

Where legal persons become shareholders of the Company, their legal representatives or nominees of their legal representatives shall exercise relevant rights on their behalf.

The Company shall not exercise its rights to freeze or otherwise prejudice any of the rights attached to the shares merely based on the ground that any person has not disclosed to the Company the rights and interests he holds directly or indirectly.

**Article 56** The ordinary shareholders of the Company shall enjoy the following rights:

- (1) the right to receive dividends and other profit distributions in proportion to the number of shares held;
- (2) the right to request, convene, chair, attend and vote in person or appoint a proxy to attend and vote on his/her behalf at general meetings in proportion to the number of shares held in accordance with the law;
- (3) the right of supervisory management over the Company's business operations, and the rights to present proposals or to raise enquiries;
- (4) the right to transfer, give or pledge the shares he/she held in accordance with laws, administrative regulations and provisions of the Articles of Association;

- (5) the right to obtain information in accordance with the provisions of the Articles of Association, including:
  1. the right to obtain a copy of the Articles of Association, subject to payment of a reasonable charge;
  2. the right to inspect and copy, subject to payment of a reasonable charge:
    - (1) a copy of all parts of the register of members;
    - (2) personal particulars of each of the Company's directors, supervisors, general manager and other senior management members as follows:
      - a. present name and alias and any former name and alias;
      - b. principal address (residence);
      - c. nationality;
      - d. primary and all other part-time occupation and duties;
      - e. identification document and its number;
    - (3) report on the status of the Company's issued share capital;
    - (4) reports showing the aggregate par value, quantity, maximum and minimum prices paid in respect of each class of Shares repurchased by the Company since the end of the last financial year and the aggregate amount incurred by the Company for this purpose (with a breakdown between domestic shares and foreign shares);
    - (5) special resolutions of the Company;
    - (6) corporate bond counterfoils;
    - (7) the latest audited financial report of the Company, and the reports of the Board, auditors and the Board of Supervisors; and

- (8) a copy of the latest Annual Inspection Form that has been filed with the PRC administration for industry and commerce or other competent authorities.

Documents mentioned above (other than the documents under clause 2(2) above) and other applicable documents shall be made available by the Company at the Company's place of business in Hong Kong as required by the Main Board Listing Requirements, for inspection by the public and holders of overseas-listed foreign-invested shares.

- (6) in the event of the termination or liquidation of the Company, to participate in the distribution of remaining assets of the Company in accordance with the number of Shares held;
- (7) with respect to shareholders who vote against any resolution adopted at the shareholders' general meeting on the merger or division of the Company, the right to demand the Company to acquire the shares held by them;
- (8) shareholders individually or jointly holding more than 3% of the Company's shares can make a provisional motion in writing to the Board 10 days before the date of shareholders' general meeting;
- (9) other rights conferred by laws, administrative regulations, departmental rules or the Articles of Association.

**Article 57** The ordinary shareholders of the Company shall assume the following obligations:

- (1) to abide by laws, administrative regulations and the Articles of Association;
- (2) to pay subscription monies according to the number of shares subscribed and the method of subscription;
- (3) to fulfill its responsibility to the Company to the extent of Shares held by them;
- (4) not to withdraw their fund contribution after approval and registration by the Company, except as provided in laws and regulations;
- (5) other obligations imposed by laws, administrative regulations and the Articles of Association.

Unless otherwise specified, shareholders are not liable to make any further contribution to the share capital other than as agreed by the subscriber of the relevant shares on subscription.

**Article 58** In addition to obligations imposed by laws, administrative regulations or the listing rules of the stock exchange on which the shares of the Company are listed, a controlling shareholder shall not exercise his voting rights in respect of the following matters in a manner prejudicial to the interests of the shareholders' generally or of some part of the shareholders of the Company:

- (1) to relieve a director or supervisor of his/her duty to act honestly in the best interests of the Company;
- (2) to approve the expropriation by a director or supervisor (for his own benefit or for the benefit of another person) of the Company's assets in any way, including (but not limited to) opportunities which are beneficial to the Company;
- (3) to approve the expropriation by a director or supervisor (for his own benefit or for the benefit of another person) of the individual interest of other shareholders, including (but not limited to) any rights to distributions and voting rights (excluding a restructuring which has been submitted for approval by the shareholders in a general meeting in accordance with the Articles of Association).

**Article 59** "Controlling shareholder" referred to in the Articles of Association means a shareholder who satisfies any one of the following conditions:

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

The phrase "acting in concert" referred to in this Article means two or more than two persons by way of agreement (whether oral or written) reaching a consensus, through one person acquiring voting rights of the Company, with an aim to obtain or consolidate control of the Company.

## **Chapter 8 Shareholders' General Meeting**

**Article 60** The shareholders' general meeting is the organ of authority of the Company and shall exercise its functions and powers in accordance with law.

**Article 61** The shareholders' general meeting shall have the following functions and powers:

- (1) to decide on the Company's business policies and investment plans;
- (2) to elect and replace directors and supervisors that are not staff representatives and decide on matters relating to their remuneration;
- (3) to consider and approve the reports of the Board;
- (4) to consider and approve the reports of the Board of Supervisors;
- (5) to consider and approve the Company's proposed annual financial budgets and final account plans;
- (6) to consider and approve the Company's profit distribution plans and deficit-deduction plans;
- (7) to resolve on the increase or reduction of the Company's registered capital;
- (8) to resolve on the issuance of debentures, any kind of securities, warrants or other similar securities by the Company;
- (9) to resolve on matters such as the merger, division, dissolution, liquidation or change of the corporate form of the Company;
- (10) to amend the Articles of Association;
- (11) to consider and approve the motions raised by shareholders who individually or collectively represent 3% or more of the total number of voting shares of the Company;
- (12) to resolve on the engagement, re-appointment or termination of engagement of the accountants of the Company;
- (13) to consider and approve the guarantees specified in Article 62 of the Articles of Association subject to approval at the shareholders' general meeting;

- (14) to consider the acquisition, disposal of significant assets or guarantees within one year which account for more than 30% of the latest audited total assets of the Company;
- (15) to consider and approve the share incentive scheme;
- (16) to resolve the repurchase of the Company's Shares;
- (17) to consider other matters which, according to the laws, administrative regulations and the Articles of Association, should be resolved by the shareholders at shareholders' general meetings;
- (18) to consider other matters as required by the listing rules of the stock exchange on which the Company's shares are listed.

To authorise or delegate the Board to deal with matters as authorised and instructed at the shareholders' general meeting provided that the laws, regulations and the mandatory provisions of relevant laws and regulations of the place of listing are observed.

To authorise or delegate the Board to deal with matters as authorised and instructed at the shareholders' general meeting, including but not limited to:

- (1) subject to the applicable laws, regulations and listing rules, to give a general mandate to the Board to issue, allot and deal with additional H shares not exceeding 20% of the H shares of the Company in issue (or other proportions as required by the applicable laws, regulations and listing rules) and authorize the Board to make corresponding amendments to the Articles of Association as it thinks fit so as to reflect the new capital structure upon the allotment or issuance of shares;
- (2) to authorize the Board, within the cap amount of debt issuance, to determine the specific terms and the relevant matters in relation to the issuance of the debt financing instrument(s) such as domestic short-term financial instruments, mid-term financial notes, corporate bonds, overseas USD bonds in accordance with the needs of production, operation and capital expenditure as well as the market conditions, including but not limited to the determination of the value, interest rate, term, targeted group and use of proceeds of the bond(s), as well as the preparation for, execution and disclosure of all necessary documents thereof subject to the aforementioned limits.

**Article 62** The provision of external guarantees by the Company shall be considered and approved by the Board. The guarantee offered by the Company to a shareholder or de facto controller of the Company shall be resolved by the shareholders' general meeting.

When the shareholders' general meeting is considering a proposal to provide guarantee for any shareholder, de facto controller or related party, the said shareholder or the shareholders controlled by the said de facto controller shall abstain from voting on the proposal, and the proposal shall be subject to approval by more than half of the voting rights of the other Shareholders attending the meeting. The announcement of the resolution of the general meeting shall fully disclose the votes of the non-related shareholders.

If a director, general manager or any other senior management member violates a provision on the approval authority or consideration procedure for the provision of external guarantees as specified in laws, administrative regulations or the Articles of Association, thereby causing the Company to sustain a loss, he/she shall be liable for damages and the Company may institute a legal action against him or her in accordance with the law.

**Article 63** The Company shall not, without the prior approval of shareholders by way of special resolution at shareholder's general meeting, enter into any contract with any person other than a director, a supervisor, general manager and members of the senior management whereby the management of the whole or any substantial part of the business of the Company is to be handed over to such person except for special circumstances such as the Company is in a crisis.

**Article 64** General meetings comprise annual general meetings and extraordinary general meetings. The annual general meetings shall be held once every year within six months after the conclusion of the previous accounting year.

Extraordinary general meetings shall be convened as and when necessary. Under any of the following circumstances, the Board shall convene an extraordinary general meeting within 2 months from the occurrence thereof:

- (1) when the number of directors is less than the number of directors required by the Company Law or two-thirds of the number of directors specified in the Articles of Association;

- (2) when the un-recovered losses of the Company amount to one third of the total amount of its paid-in share capital;
- (3) when shareholder(s) individually or jointly holding 10% or more of the Company's shares request(s) in writing the convening of an extraordinary general meeting;
- (4) when the Board considers necessary or upon the request of the Board of Supervisors;
- (5) when more than 2 independent non-executive directors so request;
- (6) other situations stipulated by laws, administrative regulations, departmental rules, the listing rules of the stock exchange on which the shares of the Company are listed or the Articles of Association.

In any of the circumstances referred to in (3), (4) and (5) above, the matter for consideration proposed by the party requesting the holding of the extraordinary general meeting shall be included in the agenda of such meeting.

**Article 65** Shareholders requesting the convening of extraordinary general meetings or class shareholders' meetings shall follow the procedures listed below:

- (1) Shareholder(s) individually or collectively holding more than 10% of the shares carrying voting rights at the meeting to be convened may, by signing one or more counterpart written requisition(s) stating the object of the meeting, require the Board to convene an extraordinary general meeting or a class shareholders' meeting. The Board shall as soon as possible after receipt of such written requisition(s) proceed to so convene the extraordinary general meeting or class shareholders' meeting. The shareholdings referred to above shall be calculated as at the date of the delivery of the written requisition(s).
- (2) Where the Board fails to issue notice of convening meeting within 30 days upon receipt of the above written request, shareholder(s) individually or collectively holding more than 10% of the shares carrying voting rights at the meeting to be convened may request by written requisition(s) the Board of Supervisors to convene the extraordinary general meeting or class shareholders' meeting.



- (3) Where the Board of Supervisors fails to issue notice of convening meeting within 30 days upon receipt of the above written request, shareholder(s), for more than 90 consecutive days, individually or collectively holding more than 10% of the shares carrying voting rights at the meeting to be convened may convene the meeting on their own accord within four months upon the Board having received such request. The convening procedures shall, to the extent possible, be identical to procedures according to which general meetings are to be convened by the Board.

All reasonable expenses incurred for such meeting convened by the shareholders as a result of the failure of the Board and Board of Supervisors to convene a meeting as required by the above request(s) shall be borne by the Company and be set off against sums owed by the Company to the defaulting directors or supervisors.

**Article 66** When the Company convenes a shareholders' general meeting, shareholders individually or jointly holding 3% or more of the total voting shares of the Company shall be entitled to propose new resolutions in writing to the Company and submit to the convener 10 days prior to the convening of the general meeting. The convener of the general meeting shall issue a supplemental notice of general meeting to other shareholders within 2 days after the receipt of such proposal and incorporate the matters falling within the scope of duties of the general meeting into the agenda of such meeting. The new agenda shall be tabled to the general meeting for consideration.

**Article 67** To convene a shareholders' general meeting, the Company shall give written notices 45 days before the date of meeting (including the date of meeting), informing all registered shareholders of the matters proposed to be considered at the meeting and the date and place of the meeting. Shareholders who will attend the meeting shall return the written replies of attendance to the Company 20 days before the date of the meeting. When calculating the starting date, the date of the meeting shall be excluded.

Unless otherwise provided in the Articles of Association, the notice of the shareholders' general meeting shall be delivered by personal delivery or prepaid mail to the shareholders (whether or not such shareholders have a voting right at the shareholders' general meeting). The address of the recipient shall be the address registered in the register of shareholders. For the holders of domestic shares, notice of the meeting may be issued by way of public announcement.

“The public announcement” referred to in the preceding paragraph shall be published in one or more newspapers designated by the securities governing authority of the State Council during 45 days to 50 days prior to the date of the meeting. Upon the publication of the announcement, all holders of domestic shares shall be deemed to have received the notice of the relevant shareholders’ general meeting.

The notice, information or written statement of a shareholders’ general meeting served on the holders of overseas-listed foreign-invested shares and notice of a shareholders’ general meeting served on the holders of overseas-listed foreign-invested shares 45 days prior to the date of the meeting may be published through the websites of the Hong Kong Stock Exchange and the Company. Upon the publication of the announcement, all holders of overseas-listed foreign-invested shares shall be deemed to have received the notice of the relevant shareholders’ general meeting.

**Article 68** The Company shall, based on the written replies received 20 days before the date of the shareholders’ general meeting, calculate the number of shares with voting right represented by the shareholders who intend to attend the meeting. If the number of shares with voting rights represented by the shareholders who intend to attend the meeting reaches one half or more of the Company’s total shares with voting rights, the Company may hold the shareholders’ general meeting. Otherwise, the Company shall within 5 days notify the shareholders, again by way of a public announcement, of the matters to be considered at, and the date and place of, the meeting. Once an announcement has been so made, the Company may then proceed to convene the general the meeting.

An extraordinary general meeting shall not transact matters not stated in the notice of meeting.

**Article 69** Notice of a shareholders’ general meeting shall:

- (1) be in writing;
- (2) specify the time, place and date of the meeting;
- (3) set out the matters to be considered at the meeting;

- (4) provide such information and explanation as are necessary for the shareholders to make informed decisions on the matters to be considered. This principle includes (but is not limited to), 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 contract (if any), and the cause and effect of such proposal shall be properly described;
- (5) disclose the nature and extent of the material conflict of interest, if any, of any director, supervisor, general manager and other senior management member in the matters to be considered; and provide an explanation of the differences, if any, between the way in which the matter to be considered would affect such director, supervisor, general manager or other senior management member in his/her capacity as shareholders and the way in which such matter would affect other shareholders of the same class;
- (6) set out the full text of any special resolution proposed to be passed at the meeting;
- (7) contain conspicuously a statement that a shareholder entitled to attend and vote have the right to appoint one or more proxies to attend and vote on his/her behalf and that such proxy need not be a shareholder of the Company;
- (8) specify the time and place for lodging proxy forms for the relevant meeting.

**Article 70** 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 meeting and the resolutions passed at the meeting.

**Article 71** Any shareholder who is entitled to attend and vote at a shareholders' general meeting shall be entitled to appoint one or more persons (whether or not a shareholder) as his/her proxy to attend and vote on his/her behalf. A proxy so appointed shall be entitled to exercise the following rights in accordance with the authorization from that shareholder:

- (1) the shareholder's right to speak at the meeting;

- (2) the right to demand, whether on his/her own or together with others, a poll;
- (3) the right to vote on a poll.

**Article 72** The instrument appointing a proxy shall be in writing under the hand of the appointor or his/her attorney duly authorized in writing, or if the appointor is a legal person, either under seal or under the hand of a director or attorney duly authorized.

**Article 73** The instrument appointing a voting proxy shall be deposited at the Company's domicile or at such other place as is specified in the notice convening the meeting not less than 24 hours prior to the time for holding the meeting at which the proxy proposes to vote. If such instrument is signed by another person under a power of attorney or other authorization documents given by the appointor, such power of attorney or other authorization documents shall be notarized. The notarized power of attorney or other authorization documents shall, together with the instrument appointing the voting proxy, be deposited at the Company's domicile or at such other place as is specified in the notice convening the meeting.

If the appointor is a legal person, its legal representative or any person authorized by the resolutions of the Board or other governing body shall attend the shareholders' general meeting of the Company as the appointor's representative.

The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorized in writing, or if the appointor is a legal person either under seal or under the hand of a director or attorney duly authorized.

Where such shareholder is a Recognized Clearing House (or its nominees), it may authorize one or more persons as it thinks fit to act as its representative(s) at any shareholders' general meeting or any class meeting provided that, if more than one person are so authorized, the power of attorney shall specify the number and class of shares in respect of which each such person is so authorized. The person(s) so authorized will be entitled to exercise the same power on behalf of the Recognized Clearing House (or its nominees) as if such person were an individual shareholder of the Company.

**Article 74** Any form issued to a shareholder by the Board of the Company for the purpose of appointing a proxy of shareholder shall be in such form which enables the shareholder, according to his/her free will, to instruct his/her proxy to vote in favor of or against the motions proposed and in respect of each individual matters to be voted on at the meeting. Such a form shall contain a statement that in the absence of instructions from the appointor, the proxy may vote as he/she thinks fit.

Save as provided above, the aforesaid proxy form shall also contain the following: number of shares represented by and name of the proxy; whether voting power is granted to the proxy; whether the proxy is entitled to vote for the temporary resolution proposed at any shareholders' general meeting; instruction of voting if voting power is granted; date of appointing a proxy and the effective period for such appointment. Where a shareholder appoints more than one proxy, he/she shall specify the number of shares represented by each proxy in the proxy form.

Where the shareholders' general meeting is attended by proxy, he shall produce the identification proof and letter of authorization signed by the appointor or its legal representative which indicates the date of appointing. Where corporate shareholder appoints its legal representative to attend the meeting, the legal representative shall produce the identification proof and the copy of the notarized certified resolutions of the Board or other authorities of the legal person appointing the said legal representative or other certified copy permitted by the Company.

**Article 75** Where the appointor has deceased, incapacitated to act, withdrawn the appointment or the power of attorney or where the relevant shares have been transferred prior to the voting, a vote given by the proxy in accordance with the power of attorney shall remain valid provided that no written notice of such event has been received by the Company prior to the commencement of the relevant meeting.

**Article 76** A shareholders' general meeting shall be convened and presided over by the chairman of the Board. If the chairman of the Board is unable or fails to perform his duties, the Board shall designate a director of the Company to convene and preside over the meeting. If no chairman of the meeting has been so designated, shareholders present shall choose one person to be chairman of the meeting. If for any reason the shareholders fail to elect a chairman, the shareholder (including proxy thereof) attending the meeting and holding the largest number of shares vested with voting rights shall be the chairman of the meeting.

A shareholders' general meeting convened by the Board of Supervisors itself shall be presided over by the chairman of the Board of Supervisors. If the chairman of the Board of Supervisors is unable or fails to perform his duties, one supervisor shall be elected jointly by half or more of the supervisors to preside over the meeting.

A shareholders' general meeting convened by the Shareholders themselves shall be presided over by a representative elected by the convener.

When a shareholders' general meeting is held and the chairman violates the rules of procedure which makes it difficult for the shareholders' general meeting to continue, a person may be elected at the shareholders' general meeting to act as the chairman so as to carry on with the shareholders' general meeting, subject to the approval of more than half of the attending shareholders having the voting rights. If for any reason the shareholders fail to elect a chairman of the meeting, the shareholder (including proxy thereof) attending the meeting and holding the largest number of shares vested with voting rights shall be the chairman of the meeting.

**Article 77** Resolutions of shareholders' general meetings are classified as ordinary resolutions and special resolutions.

To adopt an ordinary resolution, more than one-half of the votes represented by the shareholders (including proxies) present at the meeting must be cast in favor of the resolution.

To adopt a special resolution, two-thirds or more of the votes represented by the shareholders (including proxies) present at the meeting must be cast in favor of the resolution.

A shareholder (including his proxy) attending the meeting shall vote in favor of or against each resolution relating to every matter which has been put to vote at the relevant meeting. If a shareholder or his/her proxy casts abstention vote or abstains from voting, any vote cast by such shareholder or his/her proxy shall not be counted in the voting results of the Company.

**Article 78** Shareholders (including proxies) exercise their voting rights in accordance with the number of shares with voting rights represented by them, and each share entitles the shareholder one votes upon voting at the shareholders' general meeting. However, shares held by the Company carry no voting rights and shall not be counted into the total number of shares with voting rights held by shareholders attending the meeting.

Where any shareholder is, under the applicable laws and regulations and the Main Board Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for (or only against) any particular resolution at any general meeting, any votes cast by such shareholders (or their proxies) in contravention of such requirement or restriction shall not be counted.

**Article 79** Except that proposals in relation to procedural and administrative matters of a shareholders' general meeting can be conducted by a show of hand as decided by the chairman of the meeting, all other matters shall be decided on by a poll.

**Article 80** A poll demanded on such matters as the election of chairman or the adjournment of the meeting shall be taken immediately. A poll demanded on any other matters shall be taken at such time as the chairman may decide, and the meeting may proceed to discuss other matters. The results of the poll to be taken shall still be deemed to be a resolution of that meeting.

**Article 81** On a poll taken at a meeting, a shareholder (including a proxy) entitled to two or more votes needs not cast all his/her votes in the same way.

**Article 82** In the case of an equality of votes, the chairman of the meeting shall have a casting vote.

**Article 83** The following matters shall be resolved by ordinary resolutions at a shareholders' general meeting:

- (1) work reports of the Board and the Board of Supervisors;
- (2) plans for the distribution of profits and for making up losses proposed by the Board;
- (3) the election and removal of the members of the Board and the Board of Supervisors (except for staff representative supervisors), their remuneration and method of payment;



- (4) the annual financial budget and final account report, balance sheet, profit and loss statement and other financial statement of the Company;
- (5) all other matters except those required to be adopted by special resolution as required by the laws and regulations or the Articles of Association.

**Article 84** The following matters shall be resolved by special resolutions at a shareholders' general meeting:

- (1) increase in or reduction of the Company's registered share capital, issue of shares of any class, warrants and other similar securities;
- (2) the issue of corporate debentures of the Company;
- (3) demerger, merger, dissolution or liquidation;
- (4) change of corporate form of the Company;
- (5) the purchase or disposal of material assets or provision of guarantee by the Company within a year of a value exceeding 30% of the Company's latest audited total assets;
- (6) amendment to the Articles of Association;
- (7) the share incentive plan to be considered and approved;
- (8) any other matters prescribed by the laws, administrative regulations or the Articles of Association, and those approved as an ordinary resolution at a shareholders' general meeting that may have material impact on the Company and are required to be approved by a special resolution;
- (9) other matters required by the Main Board Listing Rules to be adopted by special resolution.

**Article 85** All directors, supervisors, general manager and other senior management members shall attend the shareholders' general meeting as non-voting participants if being requested. The directors, supervisors, general manager and other senior management members who attend the meeting or attend the meeting as non-voting participants shall make replies or explanation in respect of inquiries of shareholders at the shareholders' general meeting, except for those matters in relation to business secrets of the Company which cannot be made public.



**Article 86** The chairman of the meeting shall determine whether a resolution at a shareholders' general meeting is passed based on the voting result. His decision, which is final and conclusive, shall be announced at the meeting and recorded in the minutes of the meeting.

**Article 87** At a shareholders' general meeting, the approach and procedures for nomination of directors and supervisors (except for staff representative supervisors) are as follows:

- (1) shareholders individually or collectively holding 9% or more of the total outstanding voting shares of the Company may, by way of a written proposal, put forward to the shareholders' general meeting about the candidates for directors and supervisors (not being staff representatives). However, the number of candidates proposed shall comply with the provisions of the Articles of Association, and shall not exceed the number to be elected. The aforesaid proposal put forward by shareholders to the Company should be delivered to the Company at least 7 days before the convening of the shareholders' general meeting.
- (2) within the number of members as specified by the Articles of Association and based on the number of proposed candidates for election, directors and supervisors may propose a list of recommended candidates for directors and supervisors, which shall be submitted to the Board and Board of Supervisors for approval. After the list of candidates for directors and supervisors is determined based on the examination by the Board and Board of Supervisors and the adoption of a resolution, it should be proposed in writing at a general meeting.
- (3) the written notices of the intention to nominate a candidate for election as a director or a supervisor (not being staff representative), the acceptance of nomination by such potential candidate, and the relevant written materials of the nominated candidate, shall be given to the Company no less than 7 days prior to the date of convening the shareholders' general meeting (such seven-day period shall commence no earlier than the second day after the issue of the notice of the meeting at which the election shall be conducted and no later than seven days prior to the shareholders' general meeting). The Board and Board of Supervisors shall provide shareholders with biographical details and basic information on the candidates for directors and supervisors.

- (4) the period given by the Company to nominate a candidate for election as a director or a supervisor and nominees for providing the aforesaid notice and documents shall be no less than 7 days (such period shall commence from the day following the date of serving the notice of convening the shareholders' general meeting).
- (5) in the shareholders' general meeting, voting for each candidate for a director and supervisor shall be taken separately.
- (6) in the case of ad hoc addition or replacement of any director or supervisor, the Board and Board of Supervisors shall put forward a proposal to the general meeting for such election or replacement.

**Article 88** If the chairman of the meeting has any doubt as to the result of a resolution put to the vote of the meeting, he may have the votes counted. If the chairman of the meeting fails to have the votes counted, any attending shareholder or proxy who objects to the result announced by the chairman of the meeting may demand that the votes be counted immediately after the declaration of the result, and the chairman of the meeting shall have the votes counted immediately.

**Article 89** If votes are counted at the shareholders' general meeting, the counting result shall be recorded in the minutes of the meeting.

The minutes of the shareholders' general meeting shall be signed by the directors attending the meeting and chairperson and shall be kept at the Company's domicile together with the signature book of the shareholders attending the meeting and the proxy forms.

**Article 90** Copies of the minutes of the meeting shall, during business hours of the Company, be open for inspection by any shareholder without charge. If a shareholder demands from the Company a copy of such minutes, the Company shall send a copy to him/her within 7 days following the verification of his/her identity and receipt of reasonable charges.

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

**Article 91** Shareholders who hold different classes of shares shall be class shareholders. Save for shareholders of other classes, holders of domestic shares and holders of overseas-listed foreign-invested shares shall be deemed as different classes of shareholders.

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

Where the share capital of the Company includes shares which do not carry voting rights, the words “non-voting” must appear in the designation of such shares.

Where the equity capital includes shares with different voting rights, the designation of each class of shares, other than those with the most preferential voting rights, must include the words “restricted voting” or “limited voting”.

**Article 92** 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 in general meeting and by holders of shares of that class at a separate meeting conducted in accordance with provisions of Articles 94 to 98 of the Articles of Association.

No approval by a general meeting or a class meeting is required for variation or abrogation of rights resulting from any change in domestic and foreign laws and administrative regulations and listing rules where the Company’s shares are listed, or those resulting from decisions made by domestic and foreign regulatory organs.

The holders of domestic shares of the Company referred to in Article 16 of the Articles of Association may transfer their shares to overseas investors and list the said shares overseas, which shall not be deemed to be a proposed variation or abrogation of the rights conferred on any class of shareholders.

**Article 93** The following circumstances shall be deemed to be a variation or abrogation of the shareholders’ rights of a class:

- (1) to increase or decrease the number of shares of such class, or increase or decrease the number of shares of a class having voting or distribution rights or other privileges equal or superior to the shares of such class;

- (2) to effect an exchange of all or part of the shares of such class into those of another class or to affect an exchange or create a right of exchange of all or part of the shares of another class into the shares of such class;
- (3) to remove or reduce rights to accrued dividends or rights to cumulative dividends of such class;
- (4) to reduce or remove a dividend preference or a liquidation preference attached to shares of such class;
- (5) to add, remove or reduce conversion, options, voting, transfer or pre-emptive rights or rights to acquire securities of the Company of such class;
- (6) to remove or reduce rights of such class of shares to receive payments from the Company in any particular currency;
- (7) to create a new class of shares having voting or distribution rights or privileges equal or superior to the shares of such class;
- (8) to restrict the transfer or ownership of the shares of such class or to increase any such restrictions;
- (9) to issue rights to subscribe for, or convert into, shares in the Company of such class or another class;
- (10) to increase the rights or privileges of another class;
- (11) to restructure the Company where the proposed restructuring will result in different classes of shareholders bearing a disproportionate burden of such restructuring; and
- (12) to vary or abrogate the provisions in the Articles of Association.

**Article 94** Shareholders of the affected class, whether or not having the right to vote at general meetings, shall nevertheless have the right to vote at class meetings in respect of matters concerning paragraphs (2) to (8), (11) and (12) of Articles 93 in the Articles of Association, but Interested Shareholder(s) shall not be entitled to vote at class meetings.

The meaning of an “Interested Shareholder” stated above is:

- (1) in the case of a repurchase of shares by offers to all shareholders in the same proportion or public dealing on the Hong Kong Stock Exchange in accordance with the provisions of Article 29 of the Articles of Association, a controlling shareholder within the meaning of Article 59 in the Articles of Association;
- (2) in the case of a repurchase of shares by an off-market contract on the Hong Kong Stock Exchange under Article 29 of the Articles of Association, a shareholder to whom the proposed contract is related;
- (3) in the case of a restructure of the Company, a shareholder within a class who bears less than a proportionate amount of obligations imposed on the shareholders of that class or who has an interest different from the interest of the other shareholders of that class.

**Article 95** Resolutions of a class of shareholders shall require the approval of shareholders present representing more than two thirds of the voting rights of that class voting in favor of such resolutions in accordance with Article 94 of the Articles of Association.

**Article 96** Written notice of a class meeting shall be given by the Company 45 days prior to the date of the meeting to notify all the registered shareholders holding shares of that class of the matters to be considered at the meeting and the date and place of the meeting. A shareholder who intends to attend the meeting shall deliver a written reply confirming his attendance at the class meeting to the Company 20 days prior to the date of the meeting. The date of holding the meeting shall be excluded in calculating the commencement of the time limit.

The Company can convene a class shareholders’ meeting, if the number of shares of the class carrying voting rights represented by shareholders intending to attend represents more than one half of the total number of such shares of the Company. If not, the Company shall make an announcement, within five days, once again notifying the shareholders of the matters proposed to be considered and the date and place of the meeting. Once an announcement has been so made, the Company may convene the class shareholders’ meeting.

If the listing rules of the stock exchange(s) on which the Company’s shares are listed have specific provisions, such provisions shall be complied with.

**Article 97** Notice of class meetings need only be served on shareholders entitled to vote thereat.

Meetings of any class of shareholders shall be conducted in a similar way as closely as possible to the provisions for general meetings of shareholders. The provisions of the Articles of Association relating to the conduct of any general meeting of shareholders shall apply to any class meeting.

**Article 98** In addition to holders of other class shares, holders of domestic shares and overseas-listed foreign-invested shares are deemed to be shareholders of different classes. Voting by holders of different classes of shares is not required in the following situations:

- (1) where the Company issues, upon the approval by special resolution of its shareholders in general meeting, either separately or concurrently once every twelve months, not more than 20% of each of its existing issued domestic shares or overseas-listed foreign-invested shares;
- (2) where the Company completes, within 15 months from the date on which approval is given by the securities regulatory authorities of the State Council, its plan (made at the time of its establishment) to issue domestic shares and overseas-listed foreign-invested shares; and
- (3) where holders of domestic shares of the Company transfer the shares held by them to overseas investors, and such transferred shares are listed or traded on an overseas stock exchange, upon the approval of the securities regulatory authority of the State Council.

## Chapter 10 Party Organization and the Working Committee of the Party

**Article 99** In accordance with the requirements of the Constitution of the Communist Party of China, the Company establishes the CPC Party Committee of Kunming Dianchi Water Treatment Co., Ltd. (hereinafter referred to as “**Party Committee of the Company**”) and the CPC Discipline Inspection Committee of Kunming Dianchi Water Treatment Co., Ltd. (hereinafter referred to as “**Discipline Inspection Committee of the Company**”).

**Article 100** The Party Committee of the Company shall perform the following duties and responsibilities:

- (1) to play the political core role, serve the Company’s production and operation, ensure and supervise the implementation of guidelines, policies and major deployments of the Party and the State, and ensure the insistence of the Company on the right direction of reform and development;
- (2) to perform the main construction responsibility of the Party conduct and of an honest and clean administration, and strengthen the unified leadership in construction of the Party conduct and of an honest and clean administration and anti-corruption fight;
- (3) to support the shareholders’ general meeting, Board of Directors, Board of Supervisors and management to perform their duties and rights in accordance with the law, discuss and deliberate the issues relating to the “Three Importance and One Greatness” policy-making system of which the major operation and management issues must be studied and discussed by the Party Committee of the Company before being delivered to the Board of Directors and the managers for decision-making;
- (4) in accordance with the principle of the Party being in charge of cadres and talents, to perform the leadership in selecting and using cadres for the Company’s crucial operation and management, play the leading and gate-keeper’s role in selecting and using personnel, and intensify the supervision over leaders of the Company;



- (5) to study and arrange the Party-mass work of the Company, strengthen the Party organization's self-building, lead the ideological and political work, construction of spiritual civilization and the mass organizations including labor union and the Communist Youth League;
- (6) to rely on workers wholeheartedly, and support the work of Workers' Congress;
- (7) other duties and responsibilities that shall be performed by the Party Committee of the Company.

**Article 101** The Discipline Inspection Committee of the Company shall perform the following duties and responsibilities:

- (1) to safeguard the Constitution of the Communist Party of China and other Party laws and regulations;
- (2) to check the implementation of the Party's routes, guidelines, policies and decisions, and supervise and urge the Party members in Board of Directors to implement the decisions of Party organization;
- (3) to implement the relevant important decisions, resolutions and work arrangements of higher Party organizations and the Party Committee of the Company;
- (4) to perform the responsibility to supervise the construction of the Party conduct and of an honest and clean administration, supervise and urge the Party Committee of the Company to undertake the main responsibility, assist the Party Committee of the Company in enhancing the construction of the Party conduct and of an honest and clean administration and in organizing and coordinating anti-corruption work, and research and deploy the discipline inspection and supervision work;

- (5) to carry out discipline observance education to Party members on a regular basis, and make relevant decisions to safeguard the Party's disciplines;
- (6) to supervise the exercise by leading cadres of Party members of their powers;
- (7) to supervise and handle the cases of Party organizations and Party members of the Company and its affiliated units of violating the Constitution of the Communist Party of China and other Party laws and regulations, and make decisions on determination or cancellation of the punishments on those Party members involved in these cases, according to the authorized management duties and responsibilities;
- (8) to be responsible for nomination and inspection with the organization and human resources department of the candidates for the secretary and the deputy secretary of committee for discipline inspection to be appointed for the affiliated units;
- (9) to accept and hear the complaints and appeals from the Party members, and safeguard their rights;
- (10) other duties and responsibilities that shall be performed by the Discipline Inspection Committee of the Company.

**Article 102** The Secretary, Deputy Secretary and members of the Party Committee and the Discipline Inspection Committee of the Company shall be selected or appointed in accordance with the relevant regulations of the Constitution of the Communist Party of China, the Working Regulations on the Grassroot Organizations of the State-owned Enterprises of the Communist Party of China (Trial) and the Provisional Regulations Governing CPC Grassroots Elections as well as the approval of higher Party organizations. The Company shall insist on and improve the leadership system of mutual entry and cross appointment under which the qualified members of Party Committee of the Company leading group may enter the Board of Directors, Board of Supervisors and the management level through legal procedures, so as to ensure the effective fulfillment of the role of Party organization at decision-making level, supervision level and executive level. The system of periodical leadership transition in enterprise grassroots organizations shall be strictly implemented.

**Article 103** Specialized departments shall be established under the Party Committee and the Discipline Inspection Committee of the Company, meanwhile mass organizations such as labor union and League Committee shall be established. The institution setting of Party organization and its setup of personnel force shall be included in the Company's administrative system and organization setup, the expenditures of Party organization work shall be included in the Company's budget and be disbursed from the Company's administrative expenses, the Party Committee staff and the managerial force of the same level shall enjoy equivalent economic treatment.

**Article 104** The Company shall improve the democratic management system taking the Workers' Congress as the basic form, make public the affairs of enterprises and business, and put into practice the right to know, participation right, expression right and right of supervision of staff and workers, so as to fully motivate the enthusiasm, initiative and creativity of staff and workers. The Company shall listen to the opinions of workers in respect of important decisions, and the major issues involving the immediate interests of the workers must be submitted to the Workers' Congress for deliberation.

## **Chapter 11 Directors and Board of Directors**

### **Section 1 Directors**

**Article 105** Directors shall be elected and replaced at general meetings and serve a term of 3 years. A director may serve consecutive terms if re-elected upon the expiration of his/her term.

Subject to the relevant laws and administrative regulations, directors can be removed before the expiration of his/her term of office (but without prejudice to any claim for damages under any contracts) by an ordinary resolution passed at a general meeting.

The term of office of a director shall start from the date on which the said director assumes office to the expiry of the current term of the Board. If the term of office of a director expires but re-election is not made responsively, the said director shall continue to fulfill his/her duties as a director pursuant to relevant laws, administrative regulations, departmental rules and the Articles of Association until a new director is elected.

**Article 106** Directors may resign before expiry of their terms of office. The directors who resign shall submit to the Board a written report in relation to their resignation. The relevant information shall be disclosed within two days by the Board.

In the event that the resignation of any director during his term of office results in the number of members of the Board being less than the statutory minimum requirement, the existing directors shall continue to perform their duties in accordance with laws, administrative regulations and departmental rules and the Articles of Association until the re-elected directors assume their office.

Save for the circumstances referred to in the preceding paragraph, the resignation of a director becomes effective upon submission of his resignation report to the Board. Subject to the relevant laws and regulations, as well as regulatory rules of the local authority where the Company's shares are listed, if the Board appoints a new director to fill a casual vacancy, the appointed director should be subject to election by shareholders at the first general meeting after the appointment.

**Article 107** A director shall clear all transitional procedures with the Board on resignation or expiry of term and shall fulfill his fiduciary obligations against the Company and shareholders. The obligations shall not be dismissed after the expiry of term and remains effective within the reasonable period specified by the Articles of Association. The confidentiality duty shall still be binding for the director after his resignation or expiry of his term until relevant confidential information enters the public domain.

**Article 108** Any director who fails twice consecutively to attend a board meeting in person or to appoint other directors as proxy to attend the meeting on his/her behalf shall be deemed as not performing his duties. In such a case, the Board shall recommend to the general meeting for his/her removal and replacement accordingly.

**Article 109** The Company has appointed Independent directors. Unless otherwise required in this section, the provisions relating to the qualifications and obligations of directors set out in chapter 14 of the Articles of Association shall be applicable to Independent directors. At least one independent director of the Company shall be an accounting professional. Independent directors shall carry out their duties honestly and faithfully, safeguard the Company's interest and in particular prevent encroachment of the rights and interests of the public shareholders, so as to ensure the sufficient representation of the interests of all shareholders.

**Article 110** Any director who violates any laws, administrative regulations, departmental rules or the Articles of Association from termination by a director before his/her term expires or during the course of performing his/her duties shall be liable for compensation to any loss caused to the Company.

**Article 111** No director shall act on behalf of the Company or the Board without the requirement of the Articles of Association or the lawful authorization of the Board. In the event that a director is acting on his/her behalf, which may be reasonably deemed to be acting on the behalf of the Company or the Board by a third party, such director shall state his/her stance and identity in advance.

## **Section 2 Board of Directors**

**Article 112** The Company shall establish a Board. The Board shall comprise nine directors, including three independent directors. Independent Directors should account for at least one third of the members of the Board with one financial or accounting professional and in compliance with the requirement under Rule 3.10(2) of the Main Board Listing Rules. Independent directors may report directly to the general meeting, the securities regulatory authorities of the State Council and other relevant regulatory departments.

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

The Board shall appoint one chairman. The chairman of the Board shall be elected or removed by more than one half of all of the directors. The term of office of the chairman shall be three years and is renewable upon re-election.

The number of senior management members of the controlling shareholder also holding the office of the chairman and executive directors of the Company shall not exceed 2.

A director is not required to hold any shares in the Company. Unless otherwise provided by the relevant laws, regulations and the listing rules of the stock exchange(s) where the Company's shares are listed, an independent director shall be appointed for a term of 3 years, and shall be eligible to offer himself for re-election and reappointment. However, an independent director's term of office shall not exceed a total of 9 years.

**Article 113** The Board exercises the following powers:

- (1) to be responsible for convening general meetings, to propose at a general meeting to pass the relevant matters and to report on its work to the general meeting;
- (2) to implement the resolutions of the general meetings;
- (3) to decide on the Company's business plans and investment plans;
- (4) to formulate the Company's proposed annual preliminary and final financial budgets;
- (5) to formulate the Company's profit distribution plan and plan for recovery of losses;
- (6) to formulate proposals for increases or reductions of the Company's registered share capital and issue and listing of corporate debentures or other securities;
- (7) to draw up plans for the material asset acquisition or disposal, repurchase of shares of the Company or merger, division, dissolution and alteration of corporate form of the Company;
- (8) to decide on the establishment of the Company's internal management structure;

- (9) to appoint or remove the Company's general manager, to appoint or remove other senior management members such as the deputy executive general manager, deputy general manager and chief financial officer of the Company as nominated by the general manager; to determine the remuneration, incentives and punishments of the aforementioned senior management members; and to appoint or remove the secretary of the Board as nominated by the Chairman;
- (10) to decide on the proposals for salaries, welfares, incentives and punishments of the Company's staff;
- (11) to draw up the Company's basic management system;
- (12) to draw up proposals for any modifications to the Articles of Association;
- (13) to determine the establishment of the Company's domestic or overseas sub-branches;
- (14) to decide on the matters such as merger, division, reorganization or dissolution of the Company's wholly-owned subsidiaries and associated companies;
- (15) to decide on the establishment of special committees under the Board and to appoint or remove its person-in-charge;
- (16) to propose at general meetings a resolution in respect of candidates for independent directors and replacement of independent directors;
- (17) to propose at general meetings for the appointment, renewal or remove of accountants' firm conducting auditing for the Company;
- (18) to hear the work report and inspect the work of the general manager;
- (19) to manage information disclosure of the Company;
- (20) to formulate the equity incentives plan;
- (21) to decide on issues in respect of investment (including increase in external investment and equity transfer), acquisition or disposal of assets, financing and connected transactions, etc. pursuant to the Main Board Listing Rules, law, regulations and the Articles of Association;



- (22) to formulate and review the corporate governance policy and practices of the Company;
- (23) to review and supervise the training and continuing professional development of directors, supervisors and senior management;
- (24) to review and supervise the policies and practices of the Company in compliance with legal and regulatory requirements;
- (25) to formulate, review and supervise the code of conduct and compliance manual (if any) applicable to employees and directors;
- (26) to review the Company's compliance with the Code on Corporate Governance Practices as set out in the Main Board Listing Rules and disclosure in the Corporate Governance Report;
- (27) to decide on other major affairs of the Company, save for matters to be resolved at shareholders' general meetings as required by the Company Law and the Articles of Association;
- (28) other powers conferred by the laws, regulations, Main Board Listing Rules, Articles of Association or the general meetings;
- (29) other matters as required by the PRC laws and regulations.

Except the resolutions of the Board in respect of the matters specified in paragraphs (6), (7) and (13) above, which shall be passed by more than two-thirds of the directors, the resolutions of the Board in respect of all other matters may be passed by more than half of the directors.

Resolutions in respect of connected transactions made by the Board shall not come into force unless it is signed by independent directors.

**Article 114** The Board shall not, without the approval of shareholders in general meeting, dispose or agree to dispose of any fixed assets where the aggregate of the value of the consideration for the proposed disposition and where any fixed assets of the Company have been disposed of in the period of four months immediately preceding the proposed disposition, the value of the consideration for any such disposition, exceeds 33% of the value of the Company's fixed assets as shown in the last balance sheet placed before the shareholders in general meeting.

For the purposes of this Article, disposition of fixed assets includes an act involving a transfer of an interest in assets, however excluding providing security by fixed assets.

The validity of a transaction for the disposition of fixed assets by the Company shall not be affected by a breach of the first paragraph of this Article.

Prior to the decision-making in respect of any market development, merger and acquisition or investment in any new sector, the investment amount or assets amount of the merger and acquisition of which accounts for more than 10 percent of the total asset value of the Company, the Board may engage independent consultative bodies in giving expert opinions as the key basis for its decision.

**Article 115** The chairman of the Board shall exercise the following authorities:

- (1) to preside over general meetings and to convene and preside over board meetings;
- (2) to supervise and check on the implementation of resolutions passed at the meeting of the Board;
- (3) to sign share certificates, bonds and other marketable securities of the Company;
- (4) to sign important documents of the Board and other documents that shall be signed by the legal representative of the Company and to exercise the authorities of legal representatives;
- (5) to exercise special disposal powers which are in compliance with legal requirements and are in the interests of the Company on matters of the Company and provide post-event reports to the Board after such event occurs, in the event of force majeure or an emergency in which it is impossible to convene a board meeting;
- (6) to define the systems necessary for the operation of the Board, and coordinate its operation;
- (7) to hear regular and non-regular performance reports from the Company's senior management members, and to provide the Board with steering comments on the implementation of board resolutions;
- (8) to nominate a candidate for the general manager of the Company and secretary to the Board;
- (9) to supervise and check on the work of special committees under the Board;

- (10) to exercise other powers as authorized by the laws, regulations or the Articles of Association and the Board.

Where the chairman is unable to perform his/her duties, a majority of the directors may jointly elect a director to perform his/her duties.

**Article 116** The Board shall meet regularly and the meetings of the Board shall be held at least four times every year, and convened by the chairman of the Board. A fourteen days' prior written notice for convening the meeting shall be given to all directors.

Under the following circumstances, an extraordinary meeting of the Board may be held within five days by the chairman of the Board upon proposal:

- (1) by shareholders representing more than one-tenths of the voting rights;
- (2) by more than one-third of directors;
- (3) by the chairman of the Board;
- (4) by more than two independent directors;
- (5) by the Board of Supervisors;
- (6) by the general manager.

**Article 117** Notice of regular Board meetings shall be given fourteen days prior to the meetings, and reasonable notice of extraordinary Board meeting shall be given prior to the meetings to all directors and supervisors. The Board office or other departments designated by the Board shall give notice in writing to each director and supervisor and general manager by hand, fax, express mail service or other means of electronic communication. Notices that are not served by hand shall be confirmed by telephone and record should be made accordingly.

Where an extraordinary Board meeting needs to be convened in emergency, the notice of meeting may be sent by telephone or by other verbal means, but the convener shall make explanations at the meeting. The aforesaid time limit may not apply if written consent is given by all the directors present at the meeting.

**Article 118** The meeting notice shall be deemed to be delivered to such director if he/she presents at the meeting and does not raise the issue of the non-receipt of such notice prior to his/her arrival at the meeting or the commencement of the meeting.

The regular or interim meetings of the Board can be held by conference call or other similar communication equipment, for so long as the attending directors are able to hear clearly other directors' speech at the meeting and to communicate among themselves. All attending directors shall be considered as being present at the meetings in person.

**Article 119** Board meetings shall be held only if more than half of the directors are present.

Each director shall have one vote. Unless otherwise provided by the laws, administrative regulations and the Articles of Association, resolutions of the Board shall be passed by more than half of all directors.

In the case of an equality of votes, the chairman shall have one more casting vote.

**Article 120** A director shall attend the Board meetings in person. If a director is not able to attend the meeting for any reasons, he/she may appoint in writing other directors to attend the meeting on his behalf. The scope of authorization shall be specified in the power of attorney.

The appointed director attending the meeting shall only exercise the rights within the scope of authorization. Should a director neither attend a Board meeting nor appoint representative to attend on his behalf, the said director shall be deemed to have waived his right to vote at the meeting.

**Article 121** Any material matters to be decided by the Board must be proceeded strictly as specified procedure. A notice shall be given to all directors at the time required by the Articles of Association and sufficient information shall be given at the same time. The directors may request additional information. When more than a quarter of directors or two or more of independent directors consider that the information of the matters are not sufficient or for other grounds for an informed decision, they may jointly propose to postpone the meeting or delay the discussion of certain resolved matters in the Board meeting, and the Board shall adopt the relevant proposal. Resolutions in respect of connected transactions of the Company made by the Board shall not come into force unless it is signed by independent directors.

**Article 122** The Board may approve the written resolutions in lieu of convening meetings of the Board, but the draft of such resolutions shall be delivered to each director through personal delivery, post, telegraph, facsimile or e-mail. Such resolution will be passed as a resolution of the Board, only after it has been delivered to all directors by the Board, signed and approved by the required quorum of the directors and delivered to the secretary to the Board by one of the aforesaid means. Such resolution shall be deemed to have the same legal effect as a resolution passed at a Board meeting held in accordance with the procedures set out in the relevant provisions of the Articles of Association.

**Article 123** The Board shall prepare the minutes to record the decisions made concerning the matters considered at the Board meetings, which shall be signed by the attending directors and the recorder. The directors shall be responsible for the resolutions passed at the Board meetings. Any director who votes for a board resolution which contravenes the laws, administrative regulations or the Articles of Association and which result in the Company suffering from material losses, shall be responsible for the liabilities of compensation. A director who votes against such resolution, and has been proved as having expressed dissenting opinions on such resolution and such opinions are recorded in the minutes of the meeting can be exempt from liability.

### **Section 3 Special Committees under the Board**

**Article 124** The Board shall establish special committees such as strategy and investment decision committee, audit committee, nomination committee and remuneration and appraisal committee. The terms of reference, composition and rules of procedure of the special committees under the Board shall be otherwise agreed by the Board. Where necessary, the Board may establish other special committees. A special committee is the special body under the Board and is responsible for providing advice or recommendations in respect of material decisions to the Board. The special committees shall not make any decision in the name of the Board. However, the committees may exercise decision-making power in respect of the authorized matters in accordance with a special power given by the Board.

## **Chapter 12 Secretary of the Board of the Company**

**Article 125** The Company shall have a secretary of the Board, who is a senior management member of the Company.

**Article 126** The secretary of the Board shall be a natural person who has the requisite professional knowledge and experience, and shall be nominated by the chairman, appointed or removed by the Board. His/her primary responsibilities include:

- (1) to ensure that the Company has complete organizational documents and records; to keep and manage shareholder's materials; to assist the directors in addressing the routine tasks of the Board, keep the directors informed and alerted about any regulation, policy and other requirements of domestic and foreign regulators and ensure that the directors and the general manager observe domestic and foreign laws and regulations as well as the Articles of Association and other related regulations when performing their duties and responsibilities;
- (2) to organize and arrange for the meetings of the Board and general meetings, prepare meeting materials, handle relevant meeting affairs, be responsible for keeping minutes of the meetings and ensure their accuracy, keep meeting documents and minutes and take initiative to keep abreast of the implementation of relevant resolutions. Any important issues occurring during the implementation shall be reported and relevant proposals shall be put forward to the Board;
- (3) to ensure the material matters decided by the Board of the Company to be carried out strictly in accordance with the procedures as stipulated; at request of the Board, to participate in the organization of consultation on and analysis of the matters to be decided by the Board and offer relevant opinions and suggestions; to handle the day-to-day affairs of the Board and its committees as authorised;
- (4) as the contact person of the Company with the securities regulatory authorities, to be responsible for organizing the preparation for prompt submission of the documents required by the regulatory authorities, and for accepting and organizing the implementation of any assignment from the regulatory authorities;

- (5) to be responsible for coordinating and organizing the Company's disclosure of information, to establish and improve the information disclosure system, to participate in all of the Company's meetings involving the disclosure of information, and to keep informed of the Company's material operation decisions and related information in a timely manner;
- (6) to be responsible for keeping the Company's price-sensitive information confidential and working out effective and practical confidentiality systems and measures; where there is any disclosure of the Company's price-sensitive information due to any reason, necessary remedial measures shall be taken, timely explanation and clarification shall be made, and relevant reports shall be submitted to the stock exchange of the place where the shares of the Company are listed and the CSRC;
- (7) to be responsible for coordinating reception of visitors, keeping in touch with news media, coordinating replies to inquiries from the public, handling the relationships with intermediaries, regulatory authorities, media and organizing the reporting of the related matters to the CSRC;
- (8) to ensure the proper maintenance of the Company's share register, so as to ensure the persons who are entitled to obtain the relevant records and documents of the Company are able to obtain the same on a timely basis;
- (9) to assist directors and the general manager in duly implementing the domestic and foreign laws, regulations, the Articles of Association and other provisions in the course of discharging their duties, and upon becoming aware that the Company has passed or may pass resolutions which may breach the relevant regulations, to have a duty to immediately remind the Board, and is entitled to report such facts to the CSRC and other regulatory authorities;
- (10) to co-ordinate the provision of relevant information necessary for the Company's Board of Supervisors and other auditing authorities to discharge their duties; and to assist in carrying out investigation on the performance of the chief financial officer, directors and the general manager of the Company of their fiduciary duties;
- (11) to exercise other functions and powers as conferred by the Board, as well as other functions and powers as required by laws, regulations and by the stock exchanges on which the Company's shares are listed.



**Article 127** Directors or other senior management members of the Company may act as the secretary of the Board. An accountant of the accounting firm engaged by the Company and management personnel of the controlling shareholders shall not act as the secretary of the Board.

In the event that a director acts as the secretary of the Board and a certain act has to be performed separately by a director and the secretary of the Board, such person who is both a director and the secretary of the Board shall not perform such act in both capacities.

### **Chapter 13 The General Manager and Other Senior Management Members**

**Article 128** The Company shall have one general manager, who shall be engaged or dismissed by the Board; the Company shall have one chief financial officer, one chief engineer and several deputy general managers, who shall be nominated by the general manager and engaged or dismissed by the Board. The chief financial officer shall be accountable to the Board and the general manager. A director may serve concurrently as the general manager or other senior management members.

**Article 129** The general manager shall be accountable to the Board and shall exercise the following functions and powers:

- (1) to be in charge of the production, operation and management of the company, and to report to the Board;
- (2) to organize the implementation of the resolutions of the Board, the annual business plans and investment plans of the Company;
- (3) to draft the plan of the Company's annual finance budgets and final accounts, and make suggestion to the Board;
- (4) to draft the basic management system of the Company and the plan for the establishment of the Company's internal management organization;
- (5) to formulate the specific rules and regulations of the Company;
- (6) to request the Board to employ or dismiss the deputy executive general manager, deputy senior manager, chief financial officer and other senior management members;



- (7) to decide on the employment or dismissal of management personnel and general employees other than those to be employed or dismissed by the Board;
- (8) to propose to convene extraordinary board meetings;
- (9) to decide on other matters of the Company to the extent of powers delegated by the Board;
- (10) to decide on projects such as investment, acquisition or disposal and financing which do not need to be decided by the Board or the shareholders' general meeting;
- (11) other functions and powers delegated by the Articles of Association and the Board.

Senior management members other than the general manager shall assist the general manager in his works and may exercise part of the functions and powers entrusted by the general manager.

**Article 130** The general manager attends meetings of the Board. The general manager has no voting right at a meeting of the Board unless he/she is also a director.

**Article 131** In exercising his functions and powers, the general manager shall act honestly and diligently in accordance with laws, administrative regulations and the Articles of Association.

#### **Chapter 14 Board of Supervisors**

**Article 132** The Company shall have a Board of Supervisors. The Board of Supervisors shall exercise supervision function in accordance with laws, administrative regulations and the Articles of Association.

**Article 133** The Board of Supervisors shall be composed of 3 members, one of whom shall be the chairman of the Board of Supervisors. The terms of office of supervisors shall be three years, renewable upon re-election.

The election or removal of the chairman of the Board of Supervisors shall be decided by two-thirds or more of the supervisors.

**Article 134** The members of the Board of Supervisors shall comprise one representative of shareholders, two representatives of staff and workers. The election and removal of the representatives of shareholders and independent supervisors shall be decided by the general meeting, while the representative of staff and workers shall be elected by the staff and workers' congress, the assembly of staff and workers and other democratic ways.

At least half of the members of the Board of Supervisors should be external supervisors (i.e. supervisors, including supervisors who are the representatives of shareholders, not holding any positions in the Company, same hereinafter), and external supervisors shall have authority to report separately to the shareholders' general meeting on the honesty and diligence of the senior management members of the Company.

**Article 135** The directors and the senior management members of the Company shall not act concurrently as supervisors.

**Article 136** The Board of Supervisors shall be accountable to the shareholders' general meeting and exercise the following functions and powers:

- (1) to supervise the directors, general managers and other senior management members in their performance of duties and to propose the removal of directors and senior management members who have contravened any law, administrative regulations, these Articles of Association or shareholders' resolutions;
- (2) to demand any director and other senior management members of the Company who acts in a manner which is harmful to the Company's interests to rectify such behavior;
- (3) to examine the Company's financial affairs;
- (4) to review financial information such as the financial reports, operation reports and profit distribution schemes to be submitted by the Board to the shareholders' general meetings; if there is any doubt, to engage certified public accountants and practicing auditors in the name of the Company to assist their review;
- (5) to propose to convene a shareholders' extraordinary general meeting; and to convene and chair general meeting in case the Board fails to fulfill the obligations of the Company Law to convene and chair the general meeting;

- (6) to propose resolutions at a general meeting;
- (7) to propose to convene an extraordinary meeting of the Board;
- (8) to institute a suit to the directors or senior management members of the Company according to Article 151 of the Company Law;
- (9) other functions and powers conferred by laws and administrative regulations and the Articles of Association.

Supervisors shall be present at meetings of the Board.

**Article 137** Meetings of the Board of Supervisors shall be held at least once every six months and convening these meetings is the responsibility of the chairman of the Board of Supervisors. Where the chairman of the Board of Supervisors is incapable of performing or fails to perform his/her duties, a supervisor elected by not less than half of the supervisors shall convene and preside over the Board of Supervisors meetings.

A supervisor can propose to convene an extraordinary meeting of the Board of Supervisors.

In convening the regular or extraordinary meetings of Board of Supervisors, the staff member of the Board of Supervisors shall give a written notice of the meeting in a reasonable period before the meeting date respectively. The notice of meeting shall be given to all supervisors by hand delivery, facsimile transmission, electronic mail or other means. If a notice is not given by hand delivery, a subsequent telephone call shall be made for confirmation and corresponding records shall be made.

In case of urgency and an extraordinary meeting of the Board of Supervisors is required to be convened as soon as possible, the notice of such meeting shall be given by telephone communication or other verbal means at any time provided that the convener of the meeting shall make relevant explanation at the meeting.

**Article 138** The method for conducting business for the Board of Supervisors: resolutions of the Board of Supervisors shall be made by way of voting with one vote by each supervisor, conducted by way of, such as, casting written votes with the identity of the voter stated on the voting papers.

The voting procedure: a supervisor may cast a vote as affirm, object or abstain. Each attending supervisor shall indicate his/her voting intention by choosing one of the above. The chairman of the meeting shall request each supervisor who fails to choose any of the above or have chosen two or more of the above to vote again, refusal to do so shall be regarded as having abstained from voting. Any supervisor who leaves the meeting and does not return and has not voted by choosing any of the above shall be regarded as having abstained from voting.

Decisions of the Board of Supervisors shall be made by the affirmative vote of more than two-thirds of the supervisors.

The Board of Supervisors shall record in the minute book decision on matters discussed; supervisors who attended the meeting shall sign on the attendance book. A supervisor is entitled to request for some descriptive record to be made with regard to his speech in the meeting. The meeting minutes of the Board of Supervisors shall be kept in the domicile of the Company.

When voting by way of telecommunications, supervisors shall, after confirming their votes by signing a written opinion on the matter considered and his/her voting intention, fax the same to the office of the Board of Supervisors. Supervisors who cast votes by way of telecommunications shall submit the signed original copy of the voting paper to the Board of Supervisors within the period stipulated in the meeting notice.

**Article 139** The Board of Supervisors may conduct investigation if they find the operation of the Company unusual; and may engage professionals such as lawyers and accountants to assist if necessary. All reasonable fees so incurred shall be borne by the Company.

**Article 140** All supervisors shall perform their supervisory responsibility honestly in accordance with law, administrative regulations and the Articles of Association.

## **Chapter 15 Qualifications and Obligations of Directors, Supervisors and Senior Management Members of the Company**

**Article 141** Any of the following circumstances occurs, a person may not serve as a director, supervisor, the general manager, or other senior management members of the Company:

- (1) an individual who has no civil capacity or has restricted civil capacity;
- (2) persons who have committed the offences of corruption, bribery, trespass of property, misappropriation of property or damaging the social economic order, and have been penalized due to the above offences, where less than five years have elapsed since the date of the completion of implementation of the penalty or persons who have committed crimes and have been deprived of their political rights due to such crimes, where less than five years have elapsed since the date of the completion of the implementation of such deprivation;
- (3) persons who were former directors, factory chiefs or managers of a company or enterprise which has become insolvent and has been liquidated and were personally liable for the insolvency of such company or enterprise, where less than three years have elapsed since the date of the completion of the insolvency and liquidation of such company or enterprise;
- (4) persons who were legal representatives of a company or enterprise which had its business license revoked due to a violation of the law and were ordered to close down and who were personally liable to such company or enterprise, where less than three years have elapsed since the date of such company or enterprise was ordered to close down;
- (5) persons with a comparatively large amount of personal debts due and unsettled;
- (6) persons who have committed criminal offences and are still under investigation by law administration authorities;
- (7) persons who were not allowed to be heads of enterprises as stipulated by laws, administrative regulations;
- (8) persons who are not natural persons;

- (9) persons who have been convicted of offences of violating provisions of the relevant securities regulations or offences of fraud or acting in bad faith by the relevant competent authorities, where less than five years have lapsed since the date of conviction;
- (10) other persons stipulated by the laws and regulations of the place where the Company's shares are listed.

**Article 142** The validity of the conduct of directors, the general manager, and other senior management members of the Company who have acted on behalf of the Company with respect to third parties who have acted in good faith shall not be affected due to any irregularity in the employment, election or qualification of such directors, the general manager, or other senior management members.

**Article 143** In addition to obligations imposed by relevant laws, administrative regulations or the listing rules of the securities exchange on which the Company's shares are listed, directors, supervisors, the general manager, and other senior management members in the exercise of their powers and the discharge of their duties shall owe the following obligations to the shareholders:

- (1) not to cause the Company to go beyond the business scope specified by its business license;
- (2) to act honestly in what they consider to be the best interest of the Company;
- (3) not to deprive in any way the Company of its assets, including (but not limited to) opportunities beneficial to the Company;
- (4) not to deprive shareholders of their personal rights and interests, including (but not limited to) rights to distributions and to vote, except in a Company reorganization submitted in accordance with the provisions of the Articles of Association and adopted at a shareholders' general meetings.

**Article 144** Each of the directors, supervisors, the general manager and other senior management members of the Company owes a duty, in the exercise of their powers and discharge of their duties, to exercise the care, diligence and skill that a reasonably prudent person would exercise under the similar circumstances.

**Article 145** Each director, supervisor, the general manager and other senior management member of the Company should abide by his fiduciary principles in the discharge of their duties, and not to place themselves in a position where their duty and their own interests may conflict. Such principles include (but are not limited to) the performance of the following obligations:

- (1) to act honestly in what he considers to be in the best interest of the Company;
- (2) to exercise his powers within the scope specified and not to act ultra vires;
- (3) to exercise the discretion vested in him personally and not allow himself to act under the direction of another; unless and to the extent permitted by law, administrative regulations or by the shareholders, having been informed of the relevant facts, at a general meeting, not to delegate the exercise of his discretion;
- (4) to treat shareholders of the same class equally and to treat shareholders of different classes fairly;
- (5) except in accordance with the Articles of Association or with the informed consent of shareholders in general meeting, not to enter into any contract, transaction or arrangement with the Company;
- (6) not without the approval of the shareholders, having been informed of the relevant facts, at a general meeting, to use the Company's assets for his personal benefit in any manner;
- (7) not to use his position to accept bribes or other illegal income and not to expropriate the Company's assets in any manner, including (without limitation) opportunities beneficial to the Company;
- (8) without the informed consent of shareholders in general meeting, not to accept commissions in connection with the Company's transactions;
- (9) to abide by the Articles of Association, faithfully perform his duties and protect the interests of the Company, and not to use his position and powers in the Company to seek personal gain;
- (10) not to compete with the Company in any way except with the informed consent of shareholders given in general meeting;



- (11) not to misappropriate the Company's funds, not to open any bank account in his own name or others' name for the deposit of the Company's assets or funds, and not to violate the provision of the Articles of Association to lend the Company's funds to others or provide security of the Company's assets for debts of shareholders of the Company or other individuals without the approval of shareholders' general meeting or the Board;
- (12) without the informed consent of shareholders in general meeting, not to disclose confidential information of the Company acquired while in office and not to use such information other than in furtherance of the interests of the Company, save and except that disclosure of information to a court or a relevant governmental authority is permitted where:
  1. the disclosure is made under compulsion of law;
  2. there is a duty to the public to disclose;
  3. the personal interests of the director, supervisor, the general manager and other senior management members require disclosure.

Incomes derived from the violation by above-mentioned persons who violate the provision of this article shall belong to the Company; Anyone who has caused any loss to the Company shall be subject to compensation.

**Article 146** A director, supervisor, the general manager or other senior management member of the Company shall not direct the following persons or agencies ("**Related Parties**") to do what the director, supervisor, the general manager, or other senior management member of the Company is not permitted to do:

- (1) the spouse or minor child of such a director, supervisor, the general manager and other senior management member;
- (2) a trustee for such a director, supervisor, the general manager and other senior management member or any person referred to in (1) above;
- (3) a partner of such a director, supervisor, the general manager and other senior management member or of any person referred to in (1) and (2);

- (4) a company in which that a director, supervisor, the general manager and other senior management member, alone or jointly with one or more persons referred to in above (1), (2) and (3) or with any of other directors, supervisors, the general manager and other senior management members of the Company, have de facto control; and
- (5) a director, supervisor, the general manager and other senior management member of a company referred to in (4) above.

**Article 147** The fiduciary duties of a director, supervisor, the general manager, and other senior management member of the Company do not necessarily cease with the termination of his tenure. The duty of confidentiality in relation to trade secrets of the Company survives the termination of his term of office. Other duties may continue for such period as fairness may require depending on the time lapse between the termination of his term of office and the occurrence of the matter in question and the circumstances and the terms under which the relationships between him and the Company are terminated.

**Article 148** Except in circumstances referred to in Article 58 of the Articles of Association, liabilities of a director, supervisor, the general manager and other senior management members arising from the violation of a specified duty may be released by informed shareholders in general meeting.

**Article 149** Where a director, supervisor, the general manager and other senior management member of the Company is, directly or indirectly, materially interested in a contract, transaction or arrangement or proposed contract, transaction or arrangement with the Company, he shall declare the nature and extent of his interest to the Board at the earliest opportunity, whether or not the related matters is otherwise subject to the approval of the Board under normal circumstances.

A director shall not be entitled to vote on (nor shall be counted in the quorum in relation to) any resolution of the Board in respect of any contract, transaction or arrangement in which he or any of his associates as defined in the applicable Main Board Listing Rules in effect from time to time has any material interest or any other relevant proposals.

Unless the interested director, supervisor or senior management members have disclosed his interest in accordance with the Clause 1 of this Article and the contract, transaction or arrangement has been approved by the Board at a meeting in which the interested director is not counted in the quorum and has refrained from voting, the contract, transaction or arrangement in which a director, supervisor, the general manager or other senior management members are materially interested 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 director, supervisor or other senior management members concerned.

A director, supervisor, the general manager and other senior management members of the Company is deemed to be interested in a contract, transaction or arrangement in which his related parties have interest.

**Article 150** Where a director, supervisor, the general manager or other senior management member of the Company gives the Board a general notice in writing stating that, by reason of the facts stated in the notice, he is interested in contracts, transactions or arrangements of any description which may subsequently be entered into by the Company, then he shall be deemed to have made a disclosure for the purposes of the preceding clause in the Articles of Association so far as the content stated in such notice is concerned, if such notice shall have been given to the Board before the date on which the question of entering into the relevant contract, transaction or arrangement is first taken into consideration by the Company.

**Article 151** The Company shall not, in any manner, pay tax for or on behalf of its director, supervisor, the general manager or other senior management members.

**Article 152** The Company is prohibited from directly or indirectly making any loan or guarantee to directors, supervisors, the general manager or other senior management members of the Company or the directors, supervisors, the general manager, or other senior management members of its controlling shareholder. The Company is also prohibited from providing any loan or guarantee to related parties of the aforesaid.

The following transactions are not subject to the foregoing prohibition:

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

- (2) the provision of a loan or a guarantee for a loan or any other funds by the Company to any of its directors, supervisors, the general manager and other senior management members to meet expenditure incurred by him for the purposes of the Company or for the purpose of enabling him to properly perform his duties; and
- (3) the Company may make a loan to or provide a guarantee in connection with a loan by another person to any of its directors, supervisors, the general manager and other senior management members of the Company or their related parties where the ordinary course of its business includes the making of loans or the giving of guarantees and provided that the making of such loans or the giving of such guarantees is on normal commercial terms.

**Article 153** A loan made by the Company in breach of the prohibition described in the preceding article shall be forthwith repayable by the recipient of the loan regardless of the terms of the loan.

**Article 154** A guarantee for a loan provided by the Company in breach of the prohibition referred to in Clause 1 of Article 153 shall be unenforceable against the Company unless:

- (1) the guarantee was provided in connection with a loan to a person connected with a director, supervisor, the general manager and other senior management members of the Company or its controlling shareholder and at the time the loan was advanced the lender did not know of the relevant circumstances;
- (2) the collateral provided by the Company has been lawfully disposed of by the lender to a bona fide purchaser.

**Article 155** Guarantee referred to in the preceding article of the Articles of Association includes an act of undertaking or property provided by the guarantor to secure the performance of obligations by the obligor.

**Article 156** In addition to any rights and remedies provided for in relevant laws and administrative regulations, the Company is entitled to adopt the following measures where a director, supervisor, the general manager and other senior management member is in breach of his duties owed to the Company:

- (1) to claim against such a director, supervisor, the general manager and other senior management member for losses incurred by the Company as a result of his breach;

- (2) to rescind any contract or transaction entered into between the Company and the director, supervisor, the general manager and other senior management member and a third party where such third party has knowledge or should have had knowledge of the breach of duty;
- (3) to surrender the profits made by the director, supervisor, the general manager and other senior management member as a result of his breach;
- (4) to recover any monies received by the director, supervisor, the general manager and other senior management member which should have been received by the Company, including, without limitation, commissions;
- (5) to demand the return of the interest earned or which may have been earned on any monies by the director, supervisor, the general manager and other senior management member which should have been received by the Company; and
- (6) to execute legal procedures judging that the interest of a director, supervisor, the general manager and other senior management member earned through his breach of duty should belong to the Company.

**Article 157** The Company shall enter into a contract in writing with a director, supervisor and senior management members of the Company, subject to the prior approval of shareholders in a general meeting or the Board. The written contract shall include at least the following provisions:

- (1) The promise made by a director, supervisor or senior management member to the Company that he/she shall comply with and observe, the requirements stipulated under the Company Law, the Special Regulations, the Articles of Association, the Code on Takeovers, Mergers and Share Repurchases and other rules stipulated by Hong Kong Stock Exchange, and agree that the Company is entitled to take remedial measures under the Articles of Association, where the contract and his/her position shall not be transferred;
- (2) The promise made by a director, supervisor or senior management members to the Company that he/she shall comply with and perform his/her obligations to shareholders set out in the Articles of Association; and

- (3) The arbitration clauses as provided in Article 201 of the Articles of Association.

**Article 158** The Company shall enter into written contracts with the directors and supervisors in respect of the remuneration issues, subject to approval by shareholders' general meeting in advance. The remuneration referred to above shall include:

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

Save pursuant to the contract aforesaid, no legal proceedings may be brought by a director or supervisor against the Company in respect of the benefits ought to be received by him by reasons of the matters stipulated above.

The Company shall regularly disclose the remuneration received by a director, supervisor or senior management member from the Company to the shareholders.

**Article 159** In the contract for emoluments entered into by the Company with a director or supervisor of the Company: when the Company is acquired, provisions shall be made for the right of the director or supervisor of the Company to receive, after obtaining the prior consent of shareholders in general meeting, payments or other amounts by way of compensation for loss of office or for his retirement from office. A "takeover of the Company" referred to above means:

- (1) an offer made by anyone to all shareholders;
- (2) an offer is made by anyone such that the offeror will become the controlling shareholder (as defined in the Articles of Association).

If the relevant director or supervisor does not comply with the provisions of this Article, any sum received by the director or supervisor on account of the payment shall belong to those persons who have sold their shares as a result of the aforesaid offer, and the expenses incurred by the director or supervisor in distributing that sum pro rata among those persons shall be borne by him and not deducted from the sum distributed.

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

**Article 160** The Company shall establish its financial and accounting systems in accordance with the laws, administrative regulations and rules formulated by relevant state authorities.

**Article 161** The accounting year of the Company shall adopt the calendar year, that is, starting from 1 January of every calendar year to 31 December of every calendar year.

At the end of each accounting year, the Company shall prepare a financial report which shall be examined and verified in a manner prescribed by laws.

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 IFRS or that of the place outside China where the Company's shares are listed.

For the purposes of distribution of the Company's after-tax profits in a financial year, the lower of the after-tax profits as shown in both sets of financial statements shall be adopted.

**Article 162** The Board shall place before the shareholders at every annual general meeting such financial reports which the relevant laws, administrative regulations and rules as well as directives promulgated by local governments and competent authorities require the Company to prepare.

**Article 163** The Company shall not keep any other books of accounts other than those provided by law. The Company's assets shall not be kept in accounts in the name of any individual.

**Article 164** The financial reports of the Company shall be made available at the Company for inspection by shareholders 20 days before the annual general meeting. Every shareholder of the Company is entitled to a copy of the financial reports as referred to in this Chapter.



“The financial report” mentioned in the preceding paragraph shall include the directors’ report and the balance sheet (including all other documents to be attached in accordance with the requirements of the PRC laws, other laws, and administrative regulations), the profit and loss statement (the profit statement) or the statement of income and expense (the statement of cash flow) or (under the condition of no violation of the PRC laws) financial highlights approved by the Hong Kong Stock Exchange.

The Company shall deliver or send such financial report to every holder of its overseas-listed foreign-invested shares by pre-paid post at the addresses of such shareholders as recorded in the register of members no less than 21 days before the date of the annual general meeting. The Company can proceed by way of announcements, including announcement via the Company’s website, on condition that such announcements are in compliance with the laws, administrative regulations, departmental rules and the relevant requirements of the securities regulatory body where the Company’s shares are listed.

**Article 165** The Company shall publish its financial reports prepared in accordance with either the international accounting standards or that of the place overseas where the Company’s shares are listed twice every financial year, that is, the interim financial report shall be published within three months after the end of the first six months of each accounting year and the annual financial report shall be published within four months after the end of each accounting year.

## **Chapter 17 Distribution of Profits**

**Article 166** When distributing the after-tax profits of the current year, the Company shall allocate 10% of its profits into its statutory reserve. When the cumulated amount of the statutory reserve of the Company has reached 50% or more of its registered capital, no further allocations is required.

Where the statutory reserve of the Company is insufficient to make up for the losses of the Company incurred during the previous years, before making allocation to the statutory reserve in accordance with the preceding paragraph, the profits generated during the current year shall be used to make up for such losses.

After making allocation to the statutory reserve of the Company from its after-tax profits, the Company may, subject to resolutions adopted at a general meeting, also allocate funds from the after-tax profits to the discretionary reserve.

After making up for the losses and making contributions to the reserve, any remaining profits shall be distributed by the Company to the shareholders in proportion to their respective shareholdings according to the resolutions adopted at a general meeting.

If the shareholders' general meeting has, in violation of the provisions of the preceding paragraphs, distributed profits to the shareholders before the Company has made up for its losses and made allocations to the statutory reserve, the shareholders must return the profits distributed in violation of the provision to the Company.

No profits shall be distributed in respect of the Company's shares held by the Company.

**Article 167** The capital reserve shall include the following items:

- (1) the premium gained from shares issuance in excess of the par value;
- (2) other incomes that shall be included into the capital reserve as required by the competent financial authority of the State Council.

**Article 168** The reserve of the Company shall be applied for making up for losses of the Company, and expansion of the Company's production and operation or conversion to capital of the Company, but the capital reserve shall not be applied for making up for losses of the Company.

Where the statutory reserve is converted into capital, the balance of such reserve shall not fall below 25% of the Company's registered capital prior to such conversions.

**Article 169** The Company may distribute dividends in each or both of the following ways:

- (1) cash;
- (2) share certificate.

**Article 170** Any amount paid up in advance of calls on any share may carry interest but shall not entitle the holder of the share to participate in respect thereof in a dividend subsequently declared.

**Article 171** The Company shall appoint receiving agents on behalf of shareholders holding overseas-listed foreign-invested shares. The receiving agents shall on behalf of such shareholders receive dividends distributed by the Company in respect of the overseas-listed foreign-invested shares and other proceeds, and proceeds from which shall be managed by the receiving agents on such shareholders' behalf to be paid to them.

The receiving agents appointed by the Company shall comply with the relevant requirements of the law of the place and relevant regulations of the stock exchange where the Company's shares are listed.

The receiving agent appointed on behalf of holders of overseas-listed foreign-invested shares listed in the Hong Kong Stock Exchange shall be a company registered as a trust company under the Trustee Ordinance of Hong Kong.

Subject to compliance with the relevant laws and regulations of the PRC, the Company may exercise its right to confiscate the dividends which are not claimed by anyone but such right can only be exercised in or after the expiry of the relevant time frame.

The Company may exercise power to cease sending dividend warrants by post to a holder of overseas-listed foreign-invested shares, provided that such warrants have not be cashed twice in a row. However, such power may be exercised after the first occasion on which such a warrant is returned undelivered.

The Company shall have the power to sell, in such manner as the Board thinks fit, any shares of a Shareholder of overseas-listed foreign-invested shares who is untraceable, but is subject to the following conditions:

- (1) the Company has distributed dividends for at least 3 times in respect of such shares within 12 years, but none of such dividends was claimed; and
- (2) the Company, after the expiration of a period of 12 years, made an advertisement on one or more newspapers of the place where the shares of the Company are listed, stating its intention to sell such shares, and notified the Hong Kong Stock Exchange.

**Article 172** Cash dividends and other payments payable by the Company to holders of Domestic Shares shall be declared in Renminbi. Cash dividends and other payments payable by the Company to holders of overseas-listed foreign-invested Shares shall be denominated and declared in Renminbi and paid in Hong Kong dollars. The Company shall arrange the foreign currency for payment of cash dividends and other payments payable to holders of overseas-listed foreign-invested Shares in accordance with foreign exchange management related regulations of the State.

**Article 173** Unless provided otherwise in any laws or administrative regulations, the Company shall adopt the average selling rates of the relevant foreign exchange as quoted by the People's Bank of China for the calendar week before the date on which the dividends and other payments are declared to calculate the dividends and other sums which are payable in Hong Kong dollars.

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

**Article 174** The Company shall appoint an independent accounting firm under the relevant regulations of the State to audit the Company's annual financial statements and review the Company's other financial reports.

The first accounting firm of the Company may be appointed by the inaugural meeting prior to the first annual general meeting and the accounting firm so appointed shall hold office until the conclusion of the first annual general meeting.

**Article 175** The term of appointment of the accounting firm shall commence from the conclusion of the current annual general meeting and end at the conclusion of the next annual general meeting.

**Article 176** The accounting firm appointed by the Company shall have the following rights and powers:

- (1) To review the Company's books of accounts, records or vouchers, and has the right to require the directors, general manager or other senior management personnel of the Company to provide related information and descriptions;
- (2) To require the Company to adopt all reasonable measures to obtain any information and descriptions from its subsidiaries that are required by the accounting firm to perform its duties; and

- (3) To attend general meetings, and to have equal access to notification of shareholder's meetings or any information related to the meetings as available to all other shareholders, and speak at any general meeting on matters involving its appointment as the Company's accounting firm.

The Company shall provide accurate and complete accounting documents, books of accounts, financial and accounting report and other accounting information to the appointed accountant firm, the Company shall not refuse to provide such information, conceal and misrepresent any facts.

**Article 177** Should there be a vacancy for the post of accounting firm, the Board may appoint an accounting firm to fill the vacancy before a shareholders' general meeting. Any other accounting firm which is still in service may continue to act as the accounting firm during the period the vacancy remains unfilled.

**Article 178** Notwithstanding any terms stipulated in the appointment contract signed between the accounting firm and the Company, a shareholders' general meeting can, before the expiry of the tenure of the accounting firm, pass an ordinary resolution to dismiss the accounting firm. The accounting firm's right to claim for compensation from the Company for such dismissal, if any, shall remain unaffected.

**Article 179** The remuneration of an accounting firm or the manner in which such remuneration is determined shall be determined by a general meeting. The remuneration of an accounting firm appointed by the Board shall be determined by the Board.

**Article 180** The decision on engaging, dismissing or not renewing the engagement of an accounting firm shall be made by the general meeting of shareholders, and reported to the securities regulatory authority of the State Council for filing.

Prior to the removal or the non-renewal of the appointment of the accounting firm, an advance notice of such removal or non-renewal shall be given to the accounting firm and such firm has the right to state its opinions to the shareholders' general meeting.

If the general meeting of shareholders plans, by passing resolutions, to recruit a non-incumbent accounting firm to fill up any vacancy of the post of accounting firm, or renew the engagement of an accounting firm appointed by the Board to fill up the vacancy, or dismiss an accounting firm before the expiration of its term of office, the following provisions shall be satisfied:

- (1) The relevant proposal on engagement or dismissal shall be sent to the accounting firm proposed to be engaged or proposing to leave the post or the firm which has left the post in the relevant accounting year before the issuance of the notice of general meeting of shareholders.

Leaving herein shall include leaving by dismissal, resignation and retirement.

- (2) If the accounting firm which is about to leave the post makes a written statement, and requires the Company to inform the shareholders of its statement, unless the time of receiving such written statement is too late, the Company shall adopt the following measures:

1. state in the notice of meeting issued for making resolutions that the accounting firm which is about to leave the post has made a statement; and
2. attach a copy of the representations to the notice and send it to each shareholder who is entitled to receive the notice of the shareholders' general meeting in the manner stipulated in the Articles of Association.

- (3) If the Company fails to send the statement of the relevant accounting firm according to the above provisions of item (2), the accounting firm may ask the statement be read at the general meeting of shareholders and make further appeal.

- (4) An accounting firm about to leave the post shall have the right to attend the following meetings:

1. general meeting of shareholders at which its tenure shall expire;
2. general meeting of shareholders at which the vacancy due to its dismissal is to be filled up; and

3. general meeting of shareholders convened due to its resignation from its post.

The accounting firm about to leave the post shall have the right to receive all notices of the aforesaid meetings or other information in relation to the meetings and give speeches at the aforesaid meetings with regard to matters involving its duties as the previous accounting firm appointed by the Company.

**Article 181** Prior notice shall be given to the accounting firm if the Company decides to remove such accounting firm or not to renew the appointment thereof. Such accounting firm shall have the right to make representations at the general meeting of shareholders. Where the accounting firm resigns its post, it shall make clear to the shareholders' general meeting whether there is any impropriety on the part of the Company.

- (1) The accounting firm may resign its office by depositing at the Company's legal address a resignation notice which shall become effective on the date of such deposit or on such later date as may be stipulated in such notice. Such notice shall include the following:
  1. a statement to the effect that there are no circumstances connected with its resignation which it considers should be brought to the notice of the shareholders or creditors of the Company; or
  2. a statement of any such circumstances.
- (2) Where a notice is deposited under Clause 2 of this Article, the Company shall within 14 days send a copy of the notice to the relevant governing authority. If the notice contains a statement under Clause 2 of this Article, a copy of such statement shall be placed at the Company for shareholders' inspection. The Company shall also send a copy of such statement by prepaid mail to every holder of overseas-listed foreign-invested shares (i.e. the shareholder who is entitled to receive the report of the financial position of the Company) at the address registered in the register of shareholders.
- (3) If the resignation notice of an accounting firm contains any statement mentioned in paragraph 2 of Clause (1) of this Article, the accounting firm may require the Board to convene an extraordinary general meeting to listen to its explanation on relevant matters about its resignation.



## Chapter 19 Notice

**Article 182** Notices of the Company can be issued via the following methods:

- (1) by personal delivery;
- (2) by mail;
- (3) by facsimile or e-mail;
- (4) by publishing on the websites designated by the Company and the Hong Kong Stock Exchange in accordance with laws, administrative regulations and the listing rules of the stock exchange where the Company's shares are listed;
- (5) by an announcement;
- (6) by any other methods as agreed between the Company and the addressee or as accepted by the addressee after the notice is received; or
- (7) any other methods approved by the relevant regulatory bodies of the place of listing of the Company's shares or required by the Articles of Association.

Unless the context otherwise specifies, the "announcement" referred to in the Articles of Association shall mean, in respect of announcements made to the holders of domestic shares or the announcements to be published in the PRC as required by the relevant requirements and the Articles of Association, the publication of an announcement in newspapers in the PRC, and such newspapers shall have been prescribed under the laws and administrative regulations of the PRC or by the securities regulatory authority of the State Council. For notices issued by the Company to the holders 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 electronic publishing system for immediate release on the website of the Hong Kong Stock Exchange in accordance with the local listing rules, or publish an announcement in newspapers (including the publication of an advertisement in newspapers) in accordance with the local listing rules. The announcement shall also be published on the Company's website at the same time. In addition, unless otherwise required in

the Articles of Association, the notice shall be delivered to each of the registered addresses as set forth in the register of holders of overseas-listed foreign-invested shares by personal delivery or prepaid 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.

Holders of the Company's overseas-listed foreign-invested shares shall select electronic version or mail in writing to receive corporate communication that the Company shall send to shareholders, and they can also select to receive Chinese or English version only, or both. Shareholders can give written notice in advance to the Company within reasonable time to revise the method and language version of receiving foregoing information under appropriate procedures.

Shareholders or directors who want to prove that certain notices, documents, information or written statements have been served on the Company shall provide evidential materials showing the same has been served on the correct address by ordinary means or by prepaid mail within the designated periods.

Notwithstanding the aforesaid provision which specifies providing and/or dispatching written corporate communication to shareholders, for the purpose of the means by which the Company provides and/or dispatches its corporate communication to shareholders according to the Listing Rules of Hong Kong Stock Exchange, if the Company has obtained shareholders' prior written consent or deemed consent according to the relevant laws and regulations and the Listing Rules of Hong Kong Stock Exchange as amended from time to time, the Company may dispatch or provide corporate communication to its shareholders by electronic means or via its website. Corporate communication includes but not limited to circulars, annual reports, interim reports, quarterly reports, notices of shareholders' general meetings, and other types of corporate communication as specified in the Listing Rules of Hong Kong Stock Exchange.

**Article 183** Unless otherwise stated in the Articles of Association, the various types of corporate communication in the preceding clause shall apply to the meeting notices of the general meeting, Board meetings and the meetings of the board of supervisors convened by the Company.

**Article 184** In respect of the date of receiving a notice of the Company delivered by hand, the notice shall be deemed to be received upon signing (or affixing the seal) by the addressee on the note of receipt. If the notice is delivered by post, it shall be deemed to be received after 48 hours from the date upon which the post office receives the notice. If the notice is delivered by way of fax or electronic mail or by way of publishing information on websites, it shall be deemed to be received on the date it is sent or published. If the notice is delivered by way of announcement, it shall be deemed to be received on the date on which the announcement is first published. Such announcement shall be published on the newspapers that satisfy the relevant requirements.

**Article 185** If the listing rules of the stock exchange where the Company's shares are listed stipulate that the Company send, post, distribute, despatch announce or otherwise provide relevant documents of the Company in English and Chinese, if the Company has made appropriate arrangement to confirm whether the shareholders hope to receive only the English version or the Chinese version, the Company may (as per the intent stated by the shareholders) send only the English version or the Chinese version to the related shareholders within the range allowed by the applicable laws and regulations and pursuant to the applicable laws and regulations.

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

**Article 186** For a merger or division of the Company, the Board shall put forward a proposal, and the formalities for approval shall be handled according to laws after the proposal has been adopted according to procedures specified in the Articles of Association. Shareholders who oppose the Company's merger or division plans shall have the right to ask the Company or the shareholders who approve the merger or division plans to purchase their shares at a fair price. The content of the resolution on the merger or division of the Company shall be made into special document, which shall be available for shareholders to inspect.

With regard to holders of overseas-listed foreign-invested shares, the aforesaid documents shall also be sent out by mail.

**Article 187** The merger of the Company may take the form of either merger by absorption or merger by the establishment of a new company.

In the case of a merger of the Company, 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 from the date of the Company's merger resolution which is passed and shall publish a public notice in newspaper within 30 days from the date of the Company's merger resolution.

After the merger of the Company, the claims and debts of the parties to the merger shall be assumed by the surviving company or the newly established company.

**Article 188** In the case of a division of the Company, its assets shall be divided accordingly.

In the case of a division of the Company, the parties to the division shall prepare a balance sheet and an inventory of assets. The Company shall notify its creditors within 10 days from the date of the Company's division resolution which is passed and shall publish a public notice in newspaper within 30 days from the date of the Company's merger resolution.

Debts of the Company prior to the division shall be assumed jointly by the companies which exist after the division, except otherwise agreed in the written agreement in respect of debt settlement reached between the Company and the creditor prior to the division.

**Article 189** Where a merger or division of the Company involves changes in registered items, such changes shall be registered according to laws with the company registration authority; if the Company is dissolved, its deregistration shall be carried out according to laws; where a new company is incorporated, the registration of the incorporation of the company shall be carried out according to laws.

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

**Article 190** The Company shall be dissolved upon the occurrence of the following events:

- (1) special resolution on dissolution is passed by Shareholders at a general meeting;
- (2) dissolution is necessary due to a merger or division of the Company;
- (3) the Company's business license is revoked or it is ordered to close down or it is cancelled according to law;
- (4) the Company is ordered to close down according to laws due to it violates the laws and administrative regulations;
- (5) where the Company gets into serious trouble in operations and management and its continuation may cause substantial loss to the interests of its shareholders, and no solution can be found through any other channel, shareholders representing 10% or more of the total voting rights of the Company may request the people's court to dissolve the Company.

**Article 191** Where the Company is dissolved by virtue of the reasons set out in item (1), (3), (5) of Article 190 of the Articles of Association, the Company shall establish a liquidation group within 15 days commencing from the date on which the events being the grounds for dissolution has been occurred to start liquidation process. The members of the liquidation group shall be composed of persons selected by directors or decided at shareholders' general meeting. If no liquidation group has been established to conduct liquidation within the time limit, the creditors may request the People's Court to designate the relevant personnel to form a liquidation group to conduct liquidation.

**Article 192** Where the Board decides to liquidate the Company due to causes other than where the Company has declared that it is insolvent, the Board shall include a statement in its notice convening a general meeting to consider the proposal to the effect that, after making full inquiry into the affairs of the Company, the Board is of the opinion that the Company will be able to pay all its debts in full within 12 months from the commencement of the liquidation.

Upon the passing of the resolution for the liquidation of the Company, all functions and powers of the Board shall cease.

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

**Article 193** During the liquidation period, the liquidation group shall exercise the following functions and powers:

- (1) to sort out the Company's assets and prepare a balance sheet and an inventory of assets respectively;
- (2) to notify all creditors by notice or public announcements;
- (3) to dispose of and liquidate any relevant unfinished business matters of the Company;
- (4) to pay all outstanding taxes and taxes incurred during liquidation process;
- (5) to settle claims and debts;
- (6) to deal with assets remaining after the Company's debts having been paid in full;
- (7) to represent the Company in any civil proceedings.

**Article 194** The liquidation group shall within ten days of its establishment send a notice to creditors, and within 60 days of its establishment make a public announcement in a newspaper. The creditors shall report their claims to the liquidation group within thirty days of the receipt of the notification, or in the event that no such notification is received, within forty-five days of the date of the first published announcement.

When the creditors report their claims, they shall explain clearly relevant matters regarding the claims and provide supporting evidence. The liquidation group shall register the claims.

The liquidation group may not reimburse any such creditor during the period of such creditor's claim.

**Article 195** The liquidation group shall, after examining the Company's assets, preparing the balance sheets and an inventory of assets, formulate a liquidation plan and present it to the general meeting or the relevant governing authority for confirmation.

The assets of the Company shall be distributed in the following order: the liquidation expenses, paying wages, social insurance contributions and statutory compensation of the Company's employees; taxes owed by the Company; the debts of the Company.

After the assets are applied by the Company to settle debts in accordance with the above provisions, the remaining assets shall be distributed to the shareholders according to the class of shares held by them and the proportion of their shareholdings.

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

**Article 196** If the liquidation group, having examined the Company's assets and having prepared a balance sheet and assets list, discovers that the Company's assets are insufficient to pay its debts in full, it shall immediately apply to the People's Court for a declaration of insolvency.

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

**Article 197** Following the completion of liquidation, the liquidation group shall prepare a report on liquidation and a statement of the receipts and payments and financial books during the period of liquidation, which shall be examined and verified by the PRC certified public accountants and submitted to the shareholders' general meeting or the People's Court for confirmation. The liquidation group shall also within 30 days after such confirmation, submit the preceding documents to the company registration authority and apply for cancellation of registration of the Company, and publish an announcement relating to the termination of the Company.



## **Chapter 22 Amendment to the Articles of Association of the Company**

**Article 198** The Company may, in accordance with provisions contained in relevant laws, administrative regulations and the Articles of Association, amend its Articles of Association.

**Article 199** The Articles of Association shall be amended according to the following procedures:

- (1) the Board shall approve a resolution to amend the Articles of Association, and prepare the proposed amendments;
- (2) the Board shall convene a general meeting to vote on the amendments to the Articles of Association in general meeting;
- (3) the amendments to the Articles of Association are passed by way of a special resolution approved in the general meeting;
- (4) the Company shall submit the revised Articles of Association to the company registration authority for filing.

**Article 200** Where the amendments to the Articles of Association involving the contents of the Mandatory Provisions shall become effective upon approvals by the company approval authorities of the State Council and the securities commission of the State Council. If there is any change relating to the registered particulars of the Company, application shall be made for registration of the changes in accordance with law.

## **Chapter 23 Dispute Resolution**

**Article 201** The Company shall act according to the following principles to settle disputes:

- (1) For any disputes or claims between shareholders of overseas-listed foreign-invested shares and the Company; between shareholders of overseas-listed foreign-invested shares and the directors, supervisors, the general manager or other senior management members of the Company; between shareholders of overseas-listed foreign-invested shares and shareholders of domestic shares, that arise based on the rights and obligations stipulated in the Articles of Association, the Company Law and the relevant laws and administrative regulations, any such disputes or claims shall be referred by the relevant parties to arbitration.

Where a dispute or claim involves the above parties, the entire claim or dispute must be referred to arbitration and all persons (being the Company or shareholders, directors, supervisors, the general manager or other senior management members of the Company), who have a cause of action based on the same facts giving rise to the dispute or claim or whose participation is necessary for the resolution of such dispute or claim, shall abide by arbitration.

Disputes regarding definition of shareholders and registration of members may be resolved other than by way of arbitration.

- (2) The claimant may refer the arbitration to either the China International Economic Centre in accordance with its arbitration rules, and may also refer the arbitration to 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 the claimant refers the arbitration to the Hong Kong International Arbitration Centre, either party may request the arbitration to be conducted in Shenzhen in accordance with the securities arbitration rules of the Hong Kong International Arbitration Centre.

- (3) Unless otherwise provided in the laws and administrative regulations, any disputes or claims arising out of item (1) above shall be resolved in accordance with the laws of the People's Republic of China (excluding the Special Administrative Region of Hong Kong, the Special Administrative Region of Macau and Taiwan).
- (4) The decision made by the arbitral body shall be final and conclusive, and shall be binding on the parties.

## Chapter 24 Supplementary Provisions

**Article 202** Reference to the term “Accounting Firm” herein shall have the same meaning as ascribed to the term “Auditors”.

“Actual controller” referred to in the Articles of Association refers to a person who is not a shareholder of the Company, but may actually affect the actions of the Company through investment relationship, agreements or other arrangements.

“The above”, “within”, “the following” as referred to in the Articles of Association are inclusive of the stated figure, while “over”, “other than” are not inclusive of the stated figure.

**Article 203** The Articles of Association is prepared in Chinese, the Chinese shall prevail in case of any discrepancies between the Chinese version and any other language version of the Articles of Association.

**Article 204** The Articles of Association shall be interpreted by the Board of the Company. Any matters not contained in the Articles of Association shall be proposed by the Board at the general meeting for approval.

**Article 205** Appendixes to the Articles of Association include the rules and procedures of general meetings, the rules and procedures of Board meetings and the rules and procedures of the supervisory committee.

**Article 206** Upon approval at general meeting, the Articles of Association will become effective from the date on which listing and trading of overseas-listed foreign-invested shares (H shares) issued by the Company commences on the Hong Kong Stock Exchange. If these Articles are not consistent with, contravene or in conflict with any applicable laws, regulations or the Main Board Listing Rules, the provisions of relevant laws and regulations and the Main Board Listing Rules shall prevail and these Articles shall be amended in due course.