

# **Weiqiao Textile Co., Ltd.**

## **Articles of Association**

*Please note that these Articles of Association are written in Chinese without an official English version. This English version is for reference only. In case of any inconsistency, the Chinese version shall prevail.*

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# Articles of Association of Weiqiao Textile Co., Ltd.

## Chapter 1 General Provisions

Article 1.1 Weiqiao Textile Co., Ltd. (“Company”) is incorporated as a joint stock limited liability company in accordance with the *Company Law of the People’s Republic of China* (“*Company Law*”) and *Special Regulations of the State Council on the Overseas Offerings and Listing of Shares by Joint Stock Limited Companies* (“*Special Regulations*”) and other relevant laws and administrative regulations of the State.

With the approval of Shandong Provincial People’s Government as shown in its document Lu Zheng Gu Zi [1999] No. 48 dated 25 November 1999, the Company was established by means of promotion and obtained the business license following registration with Shandong Administration for Industry & Commerce on 6 December 1999. The business license number is: 3700001804676.

The promoters of the Company are: Shandong Weiqiao Pioneering Group Co., Ltd., Zouping County Second Edible Oil & Cotton Mill, Zouping County Fourth Edible Oil & Cotton Mill, Zouping County Fifth Edible Oil & Cotton Mill, Zouping County Sixth Edible Oil & Cotton Co., Ltd. and Zhang Shiping.

The shareholders of the Company before initial offering of overseas listed foreign shares (as defined in Article 3.4 of these Articles of Association) were: Shandong Weiqiao Pioneering Group Co., Ltd., Zhang Shiping, Zhang Bo, Zhang Shixue, Ma Guixia, Fan Xuelian, Jiang Jianling, Zhang Hongxia, Yang Shaogang, Kong Deqing, Wang Xiaoyun, Song Shoujun, Zhang Xianbing, Wang Xuesong, Qi Xingli and Li Xiuping.

Article 1.2 Registered name of the Company

Chinese name: 魏橋紡織股份有限公司  
English name: Weiqiao Textile Co., Ltd.

Article 1.3 Domicile of the Company: 34 Qidong Road, Weiqiao Town, Zouping County, Shandong Province

Postcode: 256212  
Tel: 0543-4162222  
Fax: 0543-4162000

Article 1.4 The legal representative of the Company is the chairman of the board of directors of the Company.

Article 1.5 The Company is a permanently subsisting joint-stock company with limited liability and an independent legal person, governed and protected by PRC laws and regulations.

Article 1.6 The shareholders of the Company shall bear liability for the Company to the extent of the shares they hold, and the Company shall bear liability for the debts of the Company with all its assets.

Article 1.7 These Articles of Association are amended pursuant to *Company Law*, *Mandatory Provisions for the Articles of Association of Companies to be Listed Overseas* (“*Mandatory Provisions*”), *Letter of Opinions on Supplementary Amendment to Articles of Association of Companies to be Listed in Hong Kong* (“*Letter of Opinions*”), and other PRC laws and regulations. Clauses to be included into these Articles of Association as required by *Mandatory Provisions* shall not be amended or annulled unless otherwise specified in *Company Law* or other relevant laws and regulations.

Article 1.8 Upon adoption by special resolution on the general meeting of the Company and approval of the relevant competent authorities of the state, these Articles of Association shall take effect as from the date of registration with the industrial and commercial administration authorities and shall completely replace the articles of association formerly registered with the industrial and commercial administration authorities.

Commencing from the date these Articles of Association take effect, these Articles of Association will become a binding legal document for regulating the organization and behaviour of the Company, as well as the rights and obligations shared between the Company and its shareholders and between and among the Company’s shareholders.

Article 1.9 These Articles of Association shall be binding upon the Company and its shareholders, directors, supervisors, general manager, deputy general manager and other senior executives of the Company, who shall have the right to make any claims and propositions regarding the Company’s affairs based on these Articles of Association.

The shareholders of the Company may pursue actions against the Company pursuant to these Articles of Association; the Company may pursue actions against its shareholders pursuant to these Articles of Association; the shareholders may pursue actions against other shareholders pursuant to these Articles of Association; the shareholders of the Company may pursue actions against the directors, supervisors, general manager, deputy general manager and other senior executives of the Company pursuant to these Articles of Association.

The actions aforementioned include the instituting of legal proceedings with a competent court or filing with an arbitral institution for arbitration.

Article 1.10 The Company may invest in other companies with limited liabilities and joint stock companies with limited liabilities, and shall be liable for the invested companies to the extent of its capital contribution.

With the approval of company examination and approval authority authorised by the State Council, the Company may, based on the business needs of the Company, operate as a holding company as referred to in Paragraph 2 of Article 12 of the *Company Law*.

The Company shall not become an unlimited liability shareholder of any other profit-making organisation.

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

Article 2.1 The business objectives of the Company are: Provide high-quality products and services, keep innovating and seize opportunities to create good returns for shareholders.

Article 2.2 The business scope of the Company is: cotton processing; spinning, weaving, printing and dyeing, and production, processing and sales of knitgoods and clothes; production and sales of thermal power and electricity; self-operated import and export within the approved scope of practice; sales of cotton. (Items which require approvals under the law shall be subject to the approval from relevant authorities before the commencement of business.)

The business scope of the Company shall be as approved by the industrial and commercial administration authority. The Company may, as per market changes and the Company's own needs and upon approval of the examination and approval authority, adjust the business and operation method, and establish branches in and outside China.

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

Article 3.1 The Company shall have common shares at any and all times; with the approval of company examination and approval authority authorised by the State Council, the Company may have other forms of shares when needed.

Article 3.2 All shares issued by the Company shall have nominal values, with each share having a nominal value of RMB1.

- Article 3.3 The Company may offer its shares to both domestic and foreign investors with the approval of the relevant securities regulatory authority under the State Council.
- Foreign investors as referred to in the preceding paragraph shall mean those investors in foreign countries and Hong Kong, Macau or Taiwan who subscribe for shares of the Company. Domestic investors shall mean those investors in the PRC, excluding the aforementioned regions, who subscribe for shares of the Company.
- Article 3.4 Shares that the Company issues to domestic investors for subscription in Renminbi shall be known as domestic shares. Shares that the Company issues to foreign investors for subscription in foreign currencies shall be known as foreign shares. Foreign shares offered and listed overseas shall be known as overseas listed foreign shares. The domestic shares that are allowed to be listed and traded on foreign stock exchanges with the approval of the securities regulatory authorities under the State Council and the overseas listed foreign shares are collectively referred to as overseas listed shares. Among which, those listed on the Hong Kong Stock Exchange are referred to as “H Shares”.
- Unless otherwise required under the laws and regulations, conversion of all or part of the shares held by the holders of domestic shares into the H Shares is not subject to voting at the general meeting or shareholders class meeting, provided that it shall be subject to the approval of the securities regulatory authorities under the State Council and comply with the regulatory procedures, provisions and requirements of the overseas securities market.
- Article 3.5 With approval of Shandong Provincial Economic System Reform Commission in its document Lu Ti Gai Han Zi [1999] No. 71 and Shandong Provincial People’s Government in the approval certificate Lu Zheng Gu Zi [1999] No. 48, the total number of common shares issued by the Company at the time of its incorporation in 1999 was 202,040,000, which were all domestic shares.
- With approval of Shandong Provincial Economic System Reform Commission in its document Lu Ti Gai Han Zi [2002] No. 42 and Shandong Provincial People’s Government in the approval certificate Lu Zheng Gu Zi [2002] No. 74, the total number of common shares of the Company after capital increase in 2002 was 530,770,000, which were all domestic shares.
- Article 3.6 With approval of China Securities Regulatory Commission (CSRC) in its document Zheng Jian Guo He Zi [2003] No. 23, the Company initially issued 287,235,500 overseas listed foreign shares in September 2003 and listed them on the main board of the Stock Exchange of Hong Kong Limited (SEHK), increasing the total number of shares of the Company to 818,005,500.

With approval of CSRC in its document Zheng Jian Guo He Zi [2004] No. 17, the Company additionally issued 57,447,000 overseas listed foreign shares in June 2004 and listed them on the main board of the SEHK, increasing the total number of shares of the Company to 875,452,500.

With approval of Shandong Provincial Government, the Company issued 250,000,000 domestic shares in October 2005, increasing the total number of shares of the Company to 1,125,452,500.

With approval of CSRC in its document Zheng Jian Guo He Zi [2005] No. 18, the Company additionally issued 68,936,500 overseas listed foreign shares in March 2006 and listed them on the main board of the SEHK, increasing the total number of shares of the Company to 1,194,389,000.

The equity structure of the Company is: The total number of common shares of the Company is 1,194,389,000, including 780,770,000 domestic shares, accounting for 65.37% of the total number of shares of the Company, and 413,619,000 overseas listed foreign shares, accounting for 34.63% of the total number of shares of the Company.

Article 3.7 The board of directors of the Company may make arrangement for separately issuing overseas listed foreign shares and domestic shares according to the issue scheme approved by the securities regulatory authority under the State Council.

According to the aforesaid scheme for separate issue of overseas listed foreign shares and domestic shares, the Company may issue the shares within 15 months after approval of CSRC.

Article 3.8 If the Company separately issues overseas listed foreign shares and domestic shares within the total number specified in the issue scheme, the said shares shall be issued respectively at one time; if it is impossible for special reasons, the shares may be issued by several times upon approval by CSRC.

Article 3.9 After completion of H share offer as set out in Article 3.6 of these Articles of Association, the Company's registered capital will increase to RMB1,194,389,000.

Article 3.10 The Company may increase capital based on the needs of operation and development and in accordance with these Articles of Association.

The Company may increase capital as follows:

- (I) Offer of new shares to non-given investors;
- (II) Placement of new shares among existing shareholders;



- (III) Issuing new shares to existing shareholders;
- (IV) Other ways stipulated by laws and administrative regulations.

Issue of new shares by the Company shall be subject to approval as specified in these Articles of Association and follow the procedure specified in the relevant state laws and administrative regulations.

Article 3.11 Save as otherwise specified in the relevant laws and administrative regulations, the shares for which full payment is made can be transferred freely and shall not be subject to any lien.

#### **Chapter 4 Capital Decrease and Share Buyback**

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

Article 4.2 Where the Company needs to decrease the registered capital, it shall prepare a balance sheet and a property inventory.

The Company shall notify all creditors within 10 days after adoption of the resolution to decrease the registered capital and shall make at least three announcements in newspapers within 30 days. The creditors shall have the right to require the Company to repay debts or provide corresponding guarantees for debt repayment within 30 days after receipt of the notice or within 90 days after the first announcement if the creditors haven't received the notice.

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

Article 4.3 The Company may, in the following circumstances, buy back its outstanding shares following the procedure specified in these Articles of Association and with approval from the regulatory authority of the state:

- (I) Cancellation of shares for decrease of the capital of the Company;
- (II) Merger with other companies holding shares of the Company;
- (III) Other circumstances stipulated by laws and administrative regulations.

Article 4.4 The Company may buy back shares in any of the following ways with approval from the regulatory authority of the state:

- (I) Offering to all the shareholders for buyback in the same proportion;

(II) Buying back through public trading in the stock exchange;

(III) Buying back through agreement outside the stock exchange;

Article 4.5 In buying back shares through agreement outside the stock exchange, the Company shall seek prior approval at a general meeting in accordance with these Articles of Association. With prior approval at the general meeting in the same way, the Company may cancel or change the contract already concluded in the aforesaid manner or waive any right under the contract.

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

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

The price of shares which the Company has the right to buy back or redeem shall not exceed a specific price limit if the said shares are not bought back by public trading or offer; to buy back the shares by offer, the Company shall tender offer to all shareholders under the same conditions.

Article 4.6 After buying back shares according to law, the Company shall deregister the said shares before the deadline specified by the relevant laws and administrative regulations, and have the change of the registered capital registered with the original company registration authority.

The total par value of the cancelled shares shall be deducted from the registered capital of the Company.

Article 4.7 Unless the Company is under liquidation, the Company shall observe the following regulations when buying back its outstanding shares:

(I) If the Company buys back shares at par value, the payment shall be deducted from the book balance of distributable profit of the Company and the proceeds from issue of new shares for buying back old shares;

(II) If the Company buys back shares above par value, the part equivalent to the par value shall be deducted from the book balance of distributable profit of the Company and the proceeds from issue of new shares for buying back old shares; the part above the par value shall be processed as follows:

(1) Deducted from the book balance of distributable profit of the Company if the shares bought back were issued at par value;

- (2) Deducted from the book balance of distributable profit of the Company and the proceeds from issue of new shares for buying back old shares if the shares bought back were issued above par value; but the amount deducted from the proceeds from issue of new shares shall not exceed the total premium obtained at the time of issue of the shares bought back and shall not exceed the amount (including premium from issue of new shares) in the premium account (or capital reserve account) of the Company at the time of buyback;
- (III) The monies paid by the Company for the following purposes shall be deducted from the distributable profits of the Company:
  - (1) Acquiring the right to buy back its shares;
  - (2) Changing the share buyback contract;
  - (3) Cancelling its obligations under the share buyback contract.
- (IV) After the par value of the cancelled shares is deducted from the registered capital of the Company pursuant to relevant regulations, the amount deducted from the distributable profit for paying the par value of the shares bought back shall be stated in the premium account (or capital reserve account) of the Company.

## **Chapter 5 Financial Assistance for Buying Back Company's Shares**

Article 5.1 The Company or subsidiaries thereof shall not at any time provide any financial assistance to purchasers or potential purchasers of the Company's shares. The aforesaid purchasers include persons directly or indirectly undertaking obligations because of purchase of shares.

The Company or subsidiaries thereof shall not at any time or in any form provide any financial assistance to the aforesaid obligors for reducing or exempting their obligations.

The provisions herein do not apply to the circumstances set out in Article 5.3 of these Articles of Association.

Article 5.2 Financial assistance as referred to in this chapter includes (but is not limited to):

- (I) Gift;

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

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

Article 5.3 The following acts are not deemed as prohibited under Article 5.1 of these Articles of Association:

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

## Chapter 6 Shares and Shareholders' Register

Article 6.1 Shares are certificates issued by the Company as evidence of the shareholders' equity of the Company. The Company shall issue book entry shares or shares in script form or shares in any other form specified by the securities regulatory authority under the State Council according to provisions of relevant government agencies at the location where the Company's shares are issued and listed.

Article 6.2 The Company's shares are all registered shares.

Matters specified in the shares shall also include other matters required by the stock exchange with which the Company's shares are listed, as well as those specified in *Company Law*.

Article 6.3 Shares shall be signed by the chairman of the board of directors. Other relevant senior executives of the Company shall also sign the shares if required by the stock exchange with which the Company's shares are listed. The shares shall come into effect after stamping or printing of the Company seal on the shares. The shares shall only be sealed with the Company's seal under the authorization of the board of directors. The signature of the chairman or other relevant senior executives of the Company may also be printed on the shares.

Article 6.4 The Company shall keep a shareholders' register recording the following matters:

- (I) Names, addresses (domiciles), occupations or features of the shareholders;
- (II) Type and number of shares held by the shareholders;
- (III) Monies paid or payable for the shares held by the shareholders;
- (IV) Numbering of the shares held by the shareholders;
- (V) Date on which the shareholders are registered as shareholders;
- (VI) Date on which the shareholders terminate as shareholders.

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

Article 6.5 The Company may keep overseas the register of holders of overseas listed shares and entrust it to the care of an overseas agency in accordance with the understanding and agreement reached between the securities regulatory authority under the State Council and the overseas securities regulatory authority. The original of the register of holders of overseas listed shares listed in Hong Kong shall be kept in Hong Kong.

The Company shall keep at its domicile a copy of the register of holders of overseas listed shares; the entrusted overseas agency shall always ensure that the original and copies of the register of holders of overseas listed shares are consistent. Where the original and copies of the register of holders of overseas listed shares are discrepant, the original shall prevail.

Article 6.6 The Company shall keep a complete shareholders' register.

The shareholders' register shall include the following parts:

- (I) Shareholders' register kept at the domicile of the Company, save as specified in (II) and (III) herein;
- (II) Register of holders of overseas listed shares kept at the overseas stock exchange;
- (III) Shareholders' register that the board of directors decides to keep at other place for the purpose of listing.

Article 6.7 The respective parts of the shareholders' register shall not overlap each other. In the event of transfer of shares registered in a specific part of the shareholders' register, the said shares shall not be registered in any other part of the shareholders' register in the duration of the registration of the said shares.

Any change or correction of any part of the shareholders' register shall comply with the law of the location where the said part is kept.

Article 6.8 All overseas listed shares listed in Hong Kong for which full payment has been made may be transferred freely in accordance with these Articles of Association; save under the following conditions, the board of directors may refuse to recognise any transfer instrument without providing any reason:

- (I) HK\$2.5 or a higher amount approved by SEHK has been paid to the Company to register the share transfer instrument and any other document relating to or affecting ownership of the shares;
- (II) The transfer instrument only involves overseas listed shares listed in Hong Kong;
- (III) Stamp tax has been paid for the transfer instrument;
- (IV) It is required to provide relevant shares and evidence reasonably required by the board of directors to prove that the transferor has the right to transfer the said shares;

(V) If the shares are transferred to joint holders, the number of joint holders shall not exceed four;

(VI) The relevant shares are not subject to lien of any company.

Any holder of foreign shares may transfer all or part of his shares of the Company via the common written transfer instrument of the place where the foreign shares are listed or via a transfer instrument signed by hand or in printed form. The standard transfer form specified by SEHK may be used for the aforesaid share transfer. The transfer instrument shall be signed by the transferor and transferee either by hand or in printed form.

Article 6.9 Change of the shareholders' register arising from share transfer shall not be registered within 30 days before convening of a general meeting or 5 days before the benchmark date on which the Company decides to distribute dividends.

Article 6.10 If the Company convenes a general meeting, distributes dividends, conducts liquidation or executes any other act requiring recognition of equity, the board of directors shall designate a certain date as equity determination date, at the end of which the shareholders in the register shall be shareholders of the Company.

Article 6.11 If any person objects to the shareholders' register and asks to have his name recorded in or deleted from the shareholders' register, the said person may apply to the court with jurisdiction to correct the shareholders' register.

Article 6.12 If any shareholder in the shareholders' register or any person requesting to have his name recorded in the shareholders' register has lost his shares (i.e. "the Original Shares"), the said shareholder or person may apply to the Company to reissue new shares for the said shares (i.e. "the Relevant Shares"). Application for reissue of shares lost by domestic shareholders shall be processed pursuant to Article 143 of *Company Law*.

Application for reissue of shares lost by holders of overseas listed shares shall be processed pursuant to the law, rules of the stock exchange and other relevant regulations of the place where the original of the register of holders of overseas listed shares is kept. Reissue of the said shares shall meet the following requirements:

(I) The applicant shall submit an application with the standard format designated by the Company and attach a notarial deed or statutory statement. The contents of the notarial deed or statutory statement shall include the reason for application, information and evidence about how the shares are lost, and a statement that no other person may request to be registered as shareholder for the related shares.

- (II) Before deciding to reissue new shares, the Company has not received a statement that anybody other than the applicant requests to be registered as shareholder for the said shares.
- (III) After deciding to reissue new shares to the applicant, the Company shall publish announcements of reissue of new shares on the newspapers designated by the board of directors; the announcement period is 90 days, with at least one announcement in 30 days.
- (IV) Before publishing the announcement of reissue of new shares, the Company shall submit a copy of the to-be-published announcement to the stock exchange with which the Company is listed, and may publish the announcement only after receiving a reply from the said stock exchange confirming that the said announcement has been displayed in the stock exchange. The duration of display of the said announcement in the stock exchange is 90 days.

If the request for reissuing shares is not approved by the registered holder of the relevant shares, the Company shall mail a copy of the to-be-published announcement to the said shareholder.

- (V) If, after expiry of the 90-day period of announcement and display specified in (III) and (IV) of this article, the Company has not received any objection to reissue of shares, the Company may reissue new shares as requested by the applicant.
- (VI) When the Company reissues new shares as per this article, the Company shall immediately deregister the original shares, and record such deregistration and reissue in the shareholders' register.
- (VII) All the expenses for deregistering the original shares and reissuing new shares shall be borne by the applicant. The Company may refuse to take any action before the applicant provides any reasonable guarantee.

Article 6.13 After the Company reissues new shares in accordance with these Articles of Association, the name of the goodwill purchaser of the said new shares or the shareholder (if it is a goodwill purchaser) later registered as owner of the said shares shall not be deleted from the shareholders' register.

Article 6.14 The Company shall have no obligation to compensate any person for any loss arising from deregistration of the original shares or reissue of new shares, unless the said person can prove that the Company has committed any fraud.



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

Article 7.1 Shareholders of the Company are persons lawfully holding shares of the Company, with names recorded in shareholders' register.

The shareholders enjoy rights and fulfil obligations as per the shares they hold; the same shares represent the same rights and the same obligations.

The Company shall not exercise any right to freeze or otherwise damage the rights attached to any shares directly or indirectly held by any person on the ground that the said person has not disclosed his equity to the Company.

Article 7.2 Where two or more persons are registered as joint holders of any shares, they shall be deemed as the common owners of the said shares subject to the following restrictions:

- (I) If any of the joint shareholders deceases, only the surviving joint shareholders shall be deemed by the Company as owners of the relevant shares, but the board of directors may, for purpose of modifying the shareholders' register, require the surviving joint shareholders to provide a death certificate of relevant shareholder as it deems appropriate.
- (II) Of the joint holders of any shares, only the foremost joint shareholder in the shareholders' register has the right to take the relevant shares, receive notices of the Company, and attend general meetings or exercise the voting right of relevant shares at general meetings, and any notice served to the said person shall be deemed as served to all the joint holders of relevant shares.

Article 7.3 The common shareholders of the Company shall have the following rights:

- (I) To receive dividends and other distributions in proportion to the shares they hold;
- (II) To attend general meetings either in person or by proxy and exercise the voting right;
- (III) To supervise, present suggestions on or make inquiries about the business activities of the Company;
- (IV) To transfer shares in accordance with the laws, administrative regulations and these Articles of Association;

- (V) to obtain relevant information in accordance with these Articles of Association, including:
1. Receiving these Articles of Association after payment of production cost;
  2. Having the right to consult and copy relevant information after paying reasonable expenses:
    - (1) All the parts of shareholders' register;
    - (2) Personal data of directors, supervisors, the general manager, deputy general managers and other senior executives of the Company, including:
      - (A) Present and former names and aliases;
      - (B) Principal addresses (domiciles);
      - (C) Nationalities;
      - (D) Full-time and all part-time occupations and positions;
      - (E) Identity certificates and numbers thereof.
    - (3) Equity of the Company;
    - (4) Report of the total par value, total quantity, and highest and lowest prices of each class of shares bought back by the Company from the last fiscal year, and the total amount paid by the Company;
    - (5) Minutes of general meetings.
- (VI) In the event of the termination or liquidation of the Company, to participate in the distribution of the remaining assets of the Company as per their shares; and
- (VII) To enjoy other rights stipulated by laws, administrative regulations and these Articles of Association.

Article 7.4 The common shareholders of the Company shall have the following obligations:

- (I) To observe these Articles of Association;
- (II) To pay subscription funds as per the shares subscribed and the method of subscription; and

- (III) To fulfil other obligations stipulated by laws, administrative regulations and these Articles of Association.

Shareholders do not have the obligation to increase any equity capital unless under the conditions accepted by the subscribers at the time of subscription.

Article 7.5

Save for the obligations under the relevant laws, administrative regulations or the listing rules of the stock exchange with which the Company's shares are listed, the controlling shareholders, in exercising their rights as shareholders, shall not make any decision detrimental to all or some shareholders in connection with the following issues:

- (I) To exempt directors and supervisors from the obligation to sincerely act in the best interest of the Company;
- (II) To allow directors and supervisors to seize from the Company any asset, including (but not limited to) any opportunity favourable to the Company (for the interests of their own or others);
- (III) To allow directors and supervisors (for the interests of their own or others) to seize from any shareholder any personal interests, including (but not limited to) any right to profit distribution and right to vote, but excluding corporate reorganisation submitted for adoption at the general meeting pursuant to these Articles of Association.

Article 7.6

A controlling shareholder as referred to in the preceding article is a person meeting any of the following conditions:

- (I) When acting alone or jointly with other parties, such a person can select more than half of the Company's directors;
- (II) When acting alone or jointly with other parties, the said person can exercise more than 30% (inclusive) of the voting rights of the Company or, control the exercise of more than 30% (inclusive) of the voting rights of the Company;
- (III) When acting alone or jointly with other parties, the said person holds more than 30% (inclusive) of the outstanding shares of the Company;
- (IV) When acting alone or acting jointly with other parties, such a person has de facto control of the Company.

## Chapter 8 General Meeting

Article 8.1 The general meeting shall be the authority of power of the Company and shall exercise the following functions and powers according to laws.

Article 8.2 A general meeting shall exercise the following functions and powers:

- (I) To resolve on the Company's business guidelines and investment plans;
- (II) To elect and replace directors and to decide on matters relating to the remuneration of directors;
- (III) To elect and replace supervisors who are representatives of shareholders and to decide on matters relating to the remuneration of supervisors;
- (IV) To consider and approve reports of the board of directors;
- (V) To consider and approve reports of the supervisory committee;
- (VI) To consider and approve the annual financial budgets and financial statements of the Company;
- (VII) To consider and approve the Company's profit distribution plan and loss recovery plan;
- (VIII) To resolve on increase or decrease of the registered capital of the Company;
- (IX) To resolve on the merger, division, dissolution and liquidation of the Company;
- (X) To resolve on the issue of bonds of the Company;
- (XI) To resolve on the appointment, removal or non-reappointment of the Company's certified public accountants;
- (XII) To amend these Articles of Association;
- (XIII) To consider proposals of shareholders representing more than 5% (inclusive) of the voting shares of the Company; and
- (XIV) To resolve on other matters which, in accordance with the laws, administrative regulations and these Articles of Association, must be approved by a general meeting.

Article 8.3 The Company may not enter into any contract with anyone other than a director, supervisor, general manager, deputy general manager or other senior executive to have all or significant part of the Company's business in the care of the said person, unless approved by the shareholders at a general meeting.

Article 8.4 General meetings are classified into annual general meetings and extraordinary general meetings. General meetings shall be convened by the board of directors.

Annual general meetings shall be convened once a year within 6 months after the end of the preceding fiscal year.

In any of the following circumstances, the board of directors shall convene an extraordinary general meeting within two months:

- (I) The number of directors falls short of the minimum number required by the *Company Law* or is less than two thirds of the number required by these Articles of Association;
- (II) The unrecovered losses of the Company amount to one third of the total share capital;
- (III) Shareholder(s) holding more than 10% (inclusive) of the Company's issued and outstanding shares carrying voting rights request(s) in writing the convening of an extraordinary general meeting;
- (IV) The board of directors deems it necessary, or the supervisory committee proposes, to convene an extraordinary general meeting.

Article 8.5 Where the Company convenes a general meeting, a written notice shall be given 45 days prior to the date of the meeting to notify all the shareholders in the shareholders' register of the issues to be considered at the meeting, and the date and venue of the meeting. Any shareholder intending to attend the meeting shall deliver to the Company a written reply showing his intention to attend at least 20 days before the meeting.

Article 8.6 When the Company convenes an annual general meeting, shareholders holding more than 5% (inclusive) of the total voting shares of the Company shall have the right to submit proposals in writing to the Company, and the Company shall place the proposals on the agenda for the said annual general meeting if the said proposals fall within the functions and powers of general meetings.

Article 8.7 The Company shall, based on the written replies received from shareholders 20 days prior to the date of the general meeting, calculate the number of voting shares held by shareholders intending to attend the meeting. Where the number of voting shares

represented by shareholders intending to attend the meeting amounts to more than one half of the Company's voting shares, the Company may convene the general meeting; if not, the Company shall, within 5 days, notify shareholders again of the issues to be considered, date and venue of the meeting in the form of public announcements. The Company may then convene the general meeting after such announcements.

An extraordinary general meeting shall not decide to announce matters not specified.

Article 8.8 The notice of a general meeting shall meet the following requirements:

- (I) Is in written form;
- (II) Specifies the venue, date and time of the meeting;
- (III) States matters to be discussed at the meeting;
- (IV) Provides the shareholders with such information and explanation as necessary for them to make informed decisions in connection with the matters to be discussed; this principle includes (but is not limited to) where a proposal is made to merge the Company, to repurchase shares of the Company, to reorganise its share capital or to make any other reorganisation of the Company, and detailed conditions of the proposed transaction shall be provided together with contracts (if any) and the cause and effect of any such proposal shall also be properly explained;
- (V) Contains a disclosure of the nature and extent of the material interests of any director, supervisor, general manager, deputy general manager or other senior executive in the proposed transaction and the effect which the proposed transaction will have on them in their capacity as shareholders insofar as it is different from the effect on interests of shareholders of the same class;
- (VI) Contains the full text of any special resolution to be proposed at the meeting;
- (VII) Contains a clear statement that a shareholder entitled to attend and vote at such meeting is entitled to appoint one or more proxies to attend and vote at such meeting on his behalf and that such proxy need not be a shareholder;
- (VIII) Specifies the time and venue for serving the power of attorney for the voting proxy for the meeting.

Article 8.9 The notice of a general meeting shall be sent to shareholders (whether or not they are entitled to vote at the general meeting) by personal delivery or by pre-paid mail to their addresses as recorded in the shareholders' register. For holders of domestic shares, the notice of a general meeting may be issued in the form of public announcement.

Public announcement referred to in the preceding paragraph shall be published in one or more newspaper(s) designated by the securities regulatory authority under the State Council during the period between 45 days to 50 days prior to the date of the meeting. Once the announcement has been published, all holders of domestic shares shall be deemed to have received the notice of relevant general meeting.

Where the Company intends to give a notice of a general meeting, it shall ensure that holders of foreign shares registered in Hong Kong have enough time to exercise their rights or act in accordance with the notice.

Article 8.10 The accidental omission to give notice of meeting to, or non-receipt of notice of meeting by, any person entitled to receive notice shall not invalidate the meeting and the resolutions adopted at the meeting.

Article 8.11 Any shareholder entitled to attend and vote at a general meeting of the Company shall be entitled to appoint one or more persons (who need not be a shareholder or shareholders) as his proxies to attend and vote on his behalf. The said proxy may exercise the following rights as granted by the said shareholder:

- (I) To exercise shareholder's right to speak at the general meeting;
- (II) To severally or jointly request to vote by ballot;
- (III) To exercise the right to vote by a show of hand or ballot; where there are more than one proxy, the said proxies shall only vote by ballot.

Article 8.12 The power of attorney shall be in writing under the hand of the principal or his proxy duly authorised in writing or, if the principal is a legal person, it shall be under seal or under the hand of a director or a duly authorised executive or proxy. Such a power of attorney shall specify the number of shares to be represented by the proxy, or the number of shares to be represented by each proxy if there are more than one proxy.

Article 8.13 The power of attorney for voting shall be deposited at the domicile of the Company or such other place as specified in the notice of meeting at least 24 hours prior to the meeting at which the proxy is authorised to vote or 24 hours before the scheduled voting time. Where such a power of attorney is signed by a person authorised by the principal, the power of attorney authorising signature or other authorisation

documents shall be notarised. The notarised power of attorney or other authorisation documents shall, together with the power of attorney for voting, be deposited at the Company's domicile or at such other place as specified in the notice of the meeting.

Where the principal is a legal person, its legal representative or a person authorised by the board of directors or other decision making bodies shall attend the general meeting of the Company in the capacity of a proxy of the said principal.

If the shareholder is a recognised clearing house ("recognised clearing house") (or proxy thereof) meeting the definitions in the relevant Hong Kong ordinances formulated from time to time, the said shareholder may authorise one or more persons as he deems appropriate to act on his behalf at any general meeting or class general meeting; however, where several persons are thus authorised, the power of attorney shall specify the numbers and classes of shares involved by the said persons. The persons thus authorised may exercise rights on behalf of the recognised clearing house (or proxy thereof) as if the said persons were the personal shareholders of the Company.

Article 8.14 Any format issued to a shareholder by the board of directors of the Company for appointing a proxy shall provide the shareholder with the flexibility to instruct the proxy to vote for or against, and give directives on each of the resolutions to be decided at the meeting. Such a format shall contain a statement that, in default of directives, the proxy may vote in the proxy's own discretion.

Any proxy attending a general meeting on behalf of a shareholder shall present his identity certificate and power of attorney signed by the principal or the principal's legal representative or the duly authorised proxy, which power of attorney shall specify the date of issue.

Article 8.15 A vote given in accordance with the terms of the power of attorney shall be valid notwithstanding the previous death or loss of capacity of the principal or revocation of the power of attorney or of the authority under which the proxy was executed, or the transfer of the share in respect of which the proxy is given, provided that no written notice of such death, loss of capacity, revocation or transfer has been received by the Company before the commencement of relevant meeting at which the proxy is issued.

Article 8.16 Resolutions of a general meeting shall be divided into ordinary resolutions and special resolutions.

Ordinary resolutions shall be passed by votes representing more than half of the voting rights held by shareholders (including proxies thereof) attending the general meeting.



Special resolutions shall be passed by votes representing more than two thirds of voting rights held by shareholders (including proxies thereof) attending the general meeting.

Article 8.17 Shareholders (including proxies thereof) who vote at a general meeting shall exercise their voting rights in relation to the number of voting shares they represent. Each share carries the right to one vote.

Where, in accordance with Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (as defined in the same), any shareholder is required to waive his voting right or is restricted to cast only affirmative or dissenting vote on a certain resolution, any vote cast by the said shareholder or proxy thereof in violation of the said rules or restriction shall not be counted into the voting results.

Article 8.18 Voting at general meetings shall be conducted by show of hands unless the following persons require voting by ballot before or after voting by show of hands:

- (I) Presider of the meeting;
- (II) At least two shareholders with voting rights or proxies thereof;
- (III) Shareholder(s) (including proxies thereof) severally or jointly holding more than 10% (inclusive) of shares with voting rights at the meeting.

Unless anybody requires voting by ballot, the presider shall announce the result of voting by show of hands on proposals, which result shall be recorded in the minutes as final evidence, without specifying the number or percentage of pros for or cons against the resolutions adopted at the meeting.

The request for voting by ballot may be revoked by the person tendering the request.

Article 8.19 If the issue required to be voted by ballot relates to election of presider or termination of meeting, voting by ballot shall be conducted immediately; in respect of other issues required to be voted by ballot, the presider may decide the time of voting by ballot, and the meeting may proceed to consider other issue, and the voting results shall be deemed as resolutions passed at the said meeting.

Article 8.20 In voting, shareholders (including proxies thereof) entitled to two or more votes need not cast all his votes in the same way of pros or cons.

Article 8.21 If pros and cons are equal, either by show of hands or by ballot, the presider shall be entitled to an additional vote.

Article 8.22 The following issues shall be approved by ordinary resolutions at a general meeting:

- (I) Work reports of the board of directors and the supervisory committee;
- (II) Profit distribution plans and loss recovery plans formulated by the board of directors;
- (III) Removal of members of the board of directors and the supervisory committee, their remunerations and the method of payment thereof;
- (IV) Annual budgets, final accounts, balance sheets and income statements and other financial statements of the Company;
- (V) Other issues than those that should be passed by special resolutions pursuant to relevant laws, administrative regulations or these Articles of Association.

Article 8.23 The following issues shall be approved by special resolutions at a general meeting:

- (I) Increase or reduction in share capital of the Company and the issue of shares of any class, warrants and other similar securities;
- (II) Issue of bonds of the Company;
- (III) Division, merger, dissolution and liquidation of the Company;
- (IV) Revision of these Articles of Association;
- (V) Any other issue confirmed by an ordinary resolution at a general meeting that it may have material impact on the Company and accordingly shall be approved by a special resolution.

Article 8.24 If shareholders require convening an extraordinary general meeting or class general meeting, the following procedure shall be followed:

- (I) Two or more shareholders jointly holding more than 10% (inclusive) of shares with voting rights at the general meeting to be convened may sign one or several written requests with the same format and content to propose to the board of directors to convene an extraordinary general meeting or class general meeting, and specify the topics of the meeting. The board of directors shall convene an extraordinary or class general meeting responsively after receipt of the aforesaid written request. The aforesaid amount of shareholding is calculated as on the day when the shareholders make the written request.

- (II) If the board of directors fails to issue a notice of meeting within 30 days after receipt of the aforesaid written request, the shareholders tendering the said request may by themselves convene a meeting within 4 months after the board of directors receives the said request, and the convening procedure shall to the extent possible be the same as the procedure by which the board of directors convenes general meetings.

Where the shareholders convene a general meeting because the board of directors fails to convene the meeting pursuant to the aforesaid request, the reasonable expenses incurred shall be borne by the Company and shall be deducted from the monies payable by the Company to the defaulting directors.

Article 8.25 General meetings shall be convened by the board of directors and presided over by the chairman of the board who shall act as the chairman of the meetings. If the chairman cannot attend the meeting for any reason, the vice chairman shall preside over and act as the chairman of the meeting. If neither the chairman nor the vice chairman can attend the meeting, the board of directors may designate a director of the Company to preside over and act as the chairman of the meeting in proxy; if no person is designated to preside over the meeting, the attending shareholders may elect a person to preside over the meeting; if for any reason the shareholders cannot elect a person to preside over the meeting, the shareholder (including proxies thereof) holding the most voting shares among the attending shareholders shall preside over the meeting.

Article 8.26 The presider of the meeting shall be responsible for determining whether a resolution has been passed. His decision, which shall be final and conclusive, shall be announced at the meeting and recorded in the minutes.

Article 8.27 If the presider has any doubt as to the result of a resolution which has been put to vote at the general meeting, he may have the ballots counted. If the presider has not counted the ballots, any shareholder who is present in person or by proxy and who objects to the result announced by the presider may, immediately after the declaration of the voting result, demand that the ballots be counted and the presider shall have the ballots counted immediately.

Article 8.28 If ballots are counted at a general meeting, the counting result shall be recorded in the meeting minutes.

Meeting minutes, together with the signature register of attending shareholders and power of attorney of attending proxies, shall be kept at the domicile of the Company.

Article 8.29 The shareholders may have free-of-charge access to copies of the meeting minutes during the office hours of the Company. If any shareholder asks for copies of relevant meeting minutes, the Company shall send out the said copies within 7 days after receipt of reasonable expenses.

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

Article 9.1 Shareholders who hold different classes of shares shall be known as class shareholders.

Class shareholders shall enjoy rights and assume obligations according to the law, administrative regulations and these Articles of Association.

Article 9.2 Any proposed change or annulment by the Company to the rights of class shareholders shall not come into effect unless approved by special resolutions at a general meeting and a separate general meeting convened by the class shareholders so affected in accordance with Articles 9.4 to 9.8.

Article 9.3 The following circumstances shall be deemed as a variation or abrogation of the rights of a class shareholder:

- (I) To increase or decrease the number of shares of such class, or to increase or decrease the number of shares of a class having voting rights, distribution rights or other privileges equal to or superior to those of the shares of such class;
- (II) To change all or part of the shares of such class into shares of another class or to change all or part of the shares of another class into shares of that class or to grant relevant conversion rights;
- (III) To cancel or reduce rights to accrued dividends or cumulative dividends attached to shares of the said class;
- (IV) To reduce or cancel rights attached to the shares of the said class to preferentially receive dividends or to preferentially receive distributions of assets in a liquidation of the Company;
- (V) To add, cancel or reduce share conversion rights, options, voting rights, transfer rights, pre-emptive placing rights, or rights to acquire securities of the Company attached to the shares of such class;
- (VI) To cancel or reduce rights to receive payments made by the Company in a particular currency attached to the shares of the said class;

- (VII) To create a new class of shares with voting rights, distribution rights or other privileges equal or superior to those of the shares of the said class;
- (VIII) To restrict the transfer or ownership of the shares of the said class or to impose additional restrictions;
- (IX) To issue rights to subscribe for, or to convert into, shares of the said class or another class;
- (X) To increase the rights and privileges of the shares of another class;
- (XI) To restructure the Company in such a way as to cause shareholders of different classes to bear liabilities disproportionately during the restructuring;
- (XII) To amend or cancel any clause of these Articles of Association.

Article 9.4

Where issues specified in (II) to (VIII), (XI) to (XII) of Article 9.3 are involved, the affected class shareholders, whether or not they are entitled to vote at general meetings originally, shall have the right to vote at class meetings. However, interested shareholder(s) shall not be entitled to vote at such class meetings.

“(An) interested shareholder(s),” as mentioned in the preceding paragraph, shall mean:

- (I) In the event of a repurchase of shares by the Company by way of a general offer to all shareholders of the Company or by way of public transactions on a stock exchange pursuant to Article 4.4 of these Articles of Association, an “interested shareholder” is a controlling shareholder as defined in Article 7.6 of these Articles of Association;
- (II) In the event of a repurchase of shares by the Company by an off-exchange agreement pursuant to Article 4.4 of these Articles of Association, an “interested shareholder” is a shareholder related to the agreement;
- (III) In the event of a reorganisation of the Company, an “interested shareholder” is a shareholder who assumes a relatively less proportion of obligation than that of any other shareholder of that class or who has an interest different from that of any other shareholder of that class.

Article 9.5

Resolutions of a class general meeting shall be approved by votes representing more than two thirds of voting rights of shareholders of that class present at the meeting who, in accordance with Article 9.4, are entitled to vote at the meeting.

Article 9.6 Where the Company convenes a class general meeting, a written notice shall be given 45 days prior to the date of the meeting to notify all the shareholders of the said class in the shareholders' register of the issues to be considered at the meeting, and the date and venue of the meeting. Any shareholder intending to attend the meeting shall serve to the Company a written reply showing his intention to attend at least 20 days before the meeting.

In the event that the shareholders who intend to attend such a meeting represent more than half of the total number of voting shares of that class, the Company may hold the class general meeting; otherwise, the Company shall within 5 days notify the shareholders of the class, again by public notice, of the issues to be considered as well as the date and venue of the class meeting. The Company may then hold the class general meeting after the publication of such notice.

Article 9.7 Notice of class general meetings need only be served on those shareholders entitled to vote at class general meetings.

Class general meetings shall be convened as per as similar a procedure as possible to that of general meetings. Provisions relating to the procedure of convening general meetings in these Articles of Association also apply to class general meetings.

Article 9.8 Apart from holders of other classes of shares, holders of domestic shares and overseas listed shares are deemed as shareholders of different classes.

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

- (I) With the approval by special resolutions at a general meeting, the Company issues and plans to issue, at one or more occasions, a total number of shares not exceeding 20% of each of its existing issued and outstanding domestic shares and overseas listed foreign shares in every 12 months;
- (II) The Company's plan to issue domestic shares and overseas listed foreign shares at the time of its establishment is completed within 15 months from the date of approval by China Securities Regulatory Committee.

## **Chapter 10 Board of Directors**

Article 10.1 The Company shall have a board of directors, which shall be accountable to and report to general meetings. The board of directors shall consist of at least 7 and at most 11 directors (the exact number of directors shall be passed at a general meeting), including 4 executive directors responsible for the daily affairs assigned by the Company, 3-7 non-executive directors who will not handle daily affairs of the

Company, 1 chairman and 1 vice chairman. The Company shall ensure that the number of independent non-executive directors is at least one third of the total number of members of the board of directors.

Article 10.2 Directors shall be elected at general meetings. Directors shall serve a term of three (3) years starting from the date of being elected. Directors shall retire upon expiry of the said term but may serve successive terms if being re-elected at general meetings. Non-executive directors shall be appointed for a specific term. All directors appointed to fill casual vacancies shall be subject to election by shareholders at the first general meeting after the appointment.

In respect of any shareholder's submission to the Company of (i) a notice of his intention to recommend a director candidate and (ii) a notice by that the director candidate indicates his acceptance of nomination, the deadline for giving the said notice shall not be earlier than the date of issue of the notice of such election meeting nor expires 7 days prior to the date of the meeting; however, such notice shall be given within at least 7 days.

A general meeting may dismiss a director within his term of office by an ordinary resolution provided that the relevant laws and administrative regulations are observed (however, the claim for compensation under any contract shall not be affected).

The chairman and vice chairman shall be elected or removed by more than half of all the directors, shall serve a term of 3 years, and are eligible for re-election starting from the date of being elected.

The directors shall not be required to hold any shares of the Company.

Article 10.3 The board of directors shall be accountable to the general meeting and exercise the following functions and powers:

- (I) To be responsible for convening general meetings and reporting its work to the general meetings;
- (II) To execute resolutions of general meetings;
- (III) To resolve on the Company's business plans and investment plans;
- (IV) To prepare the Company's annual financial budgets and financial statements;
- (V) To formulate the profit distribution plan (including the plan for distribution of year-end dividends) and compensation makeup plan of the Company;

- (VI) To formulate the plan for increase or reduction of the Company's registered capital, and the plan for issue of the Company's bonds;
- (VII) To formulate proposals for merger, division or dissolution of the Company;
- (VIII) To resolve on the Company's internal management setup;
- (IX) To appoint or dismiss the Company's general manager, and to appoint or dismiss the Company's deputy general managers and chief financial officers as nominated by the general manager and determine their remunerations;
- (X) To set up the basic management system of the Company;
- (XI) To formulate the plan for any amendment to these Articles of Association;
- (XII) To determine the salaries, welfares and bonuses of members of staff of the Company in compliance with relevant state regulations;
- (XIII) To decide on other significant matters and administrative affairs which are not specified in these Articles of Association and shall be resolved at a general meeting;
- (XIV) To formulate the plan for material acquisition or disposal of the Company;
- (XV) To review the effectiveness of the internal monitoring system of the Company and its subsidiaries at least once a year; and
- (XVI) To exercise other functions and powers conferred at general meetings and under these Articles of Association.

The board of directors may resolve on the issues specified in the preceding paragraph by approval of more than half of the directors save for the issues specified in (VI), (VII) and (XI), in which approval of two thirds of the directors is required.

Article 10.4 The board of directors shall not dispose of or agree to dispose of any fixed assets without approval by the general meeting if the sum of the expected value of the fixed assets to be disposed of and the value derived from the disposal of fixed assets within 4 months before such proposal to dispose of the fixed assets exceeds 33% of the value of the fixed assets as shown on the latest audited balance sheet considered and approved by the general meeting.

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



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

Article 10.5 The chairman of the board of directors shall exercise the following functions and powers:

- (I) To preside over general meetings, convene and preside over meetings of the board of directors, and make sure to properly brief all directors on the affairs considered at meetings of the board of directors;
- (II) To examine the implementation of the resolutions of the board of directors;
- (III) To sign the securities certificates issued by the Company;
- (IV) To exercise other functions and powers conferred by the board of directors;  
and
- (V) To ensure that each director has full access to data.

If the chairman is unable to perform his duties, such duties shall be performed in proxy by the vice chairman designated by the chairman. If the vice chairman is unable to or fails to perform such duties, such duties shall be performed in proxy by a director elected by more than half of the directors.

Article 10.5A The functions of non-executive directors include:

- (I) To attend meetings of the board of directors of the Company to provide independent judgments on strategies, policies, performance, accountability, resources, main appointments and code of conduct;
- (II) To make the first move where potential conflicts of interests arise;
- (III) (If invited) to provide services for examination, remuneration, nomination and other governing committees; and
- (IV) To supervise whether the Company's performance has achieved the planned corporate targets and objectives, and issues related to the reporting of Company's performance; and
- (V) To exercise other functions and powers conferred by the board of directors.

Article 10.6 At least four regular meetings of the board of directors shall be convened each year. The chairman of the board of directors shall give a notice of the relevant meeting to all directors fourteen (14) days prior to the date of the said meeting. The agenda of

regular meetings of the board of directors shall be sent at least three (3) days prior to the suggested date of the said meetings. In case of emergencies, an extraordinary meeting of the board of directors may be convened upon suggestion by one third or more of the directors or by the general manger of the Company.

Article 10.7 The time and venue of meetings of the board of directors shall be decided by the board of directors beforehand and recorded in the meeting minutes. Where such meeting minutes have been served to all directors at least 10 days before the next meeting of the board of directors, no further notice shall be sent to the directors.

If the board of directors does not decide the time of venue of the meeting of the board of directors beforehand, the chairman or secretary to the board of directors shall inform all directors of the time and venue of the said meeting by telex, telegram, fax, express mail, registered mail or personal delivery at least 5 (but at most 10 days) days beforehand.

Notice of meeting shall be deemed to have been served to any director who attends the meeting without raising any objection before or during the meeting that he has not received the notice of meeting.

Meetings of the board of directors may be held in the form of teleconference or with the help of other similar communication equipment, Where such a meeting is held, all attending directors shall be deemed to have attended the said meeting in person as long as they can clearly hear other directors who speak at the meetings and communicate amongst themselves.

Article 10.8 A meeting of the board of directors shall be attended by more than half of the directors.

Every director shall have the right to one vote. Resolutions made by the board of directors shall be approved by more than half of all the directors.

If the pros and cons are the same, the chairman shall be entitled to an additional vote.

Article 10.9 Directors shall attend meetings of the board of directors in person. Where any director cannot attend the meeting for any reason, he may authorise in writing another director to attend the meeting on his behalf, with the power of attorney specifying the scope of authorisation.

The director attending the meeting as proxy shall exercise rights within the scope of authorisation. Where a director is not present at a meeting of the board of directors and fails to appoint a proxy to act on his behalf, the said director shall be deemed to have waived his rights to vote at the meeting.

Article 10.10 The board of directors shall file resolutions of the meeting as minutes, which shall be signed by the attending directors and the minutes recorder. The directors shall be responsible for the resolutions passed at meetings of the board of directors. Any director who votes for a resolution which runs counter to the laws, administrative regulations or these Articles of Association, thereby causing serious losses to the Company, shall be liable for compensation to the Company. A director who has been proved as having expressed dissenting opinions on the said resolution and such opinions are recorded in the minutes of the meeting can be exempt from liability.

Article 10.11 The board of directors may adopt written resolutions in lieu of meetings of the board of directors. However, any regular meetings specified in Article 10.6 of these Articles of Association of the Company shall not seek approval of the board of directors by passing written resolutions around for reading. However, the draft of such a resolution shall be sent to every director by personal delivery, mail or fax. If the number of the directors signing on one or several drafts with the same format and contents satisfies the statutory quorum, and relevant written resolution has been sent to the secretary to the board of directors by the aforesaid means, the said resolution shall be deemed as a resolution of directors, and no further meeting of the board of directors will be necessary.

Article 10.12 A director shall not vote on any resolution of the board of directors with contracts, arrangements or any other suggestion where he or any of his associates (as defined in Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited) owns a material interest, and shall not be counted in the quorum of the same meeting of the board of directors; however, if relevant resolutions involve any one or more of the following issues, the aforesaid provision shall not apply and the said director may vote (and be counted in the quorum):

- (a) Regarding the loans borrowed from or liabilities undertaken by a director or any of his associates as required by the Company or any of its subsidiaries or for the interests of the Company or any of its subsidiaries, any guarantee, compensation assurance or mortgage is provided for the director or any of his associates;
- (b) If any guarantee, compensation or mortgage is provided for a third party due to the debts or liabilities of the Company or any of its subsidiaries, the director or any of his associates shall severally or jointly with others bear all or part of the liability for providing such guarantee, compensation assurance or mortgage;
- (c) The Company or any of its subsidiaries offers securities and relevant director or any of his associates shall have or may have the right to participate in the underwriting or sub-underwriting of relevant securities;

- (d) Any contract in which a director or any of his associates also has interests like other persons who hold the Company's shares, bonds or other rights and interests in securities just because of their holding the same;
- (e) Any contract of any other company (a company in which the director or any of his associates shall not necessarily hold 5% or more of the equity alone or jointly) in which the director or any of his associates directly or indirectly has interests as a senior executive or shareholder;
- (f) Any contract concerning adopting, revising or carrying out the pension or retirement, death or disability welfare programmes involving directors and their associates and employees of the Company or any of its subsidiaries, in which any director or any of his associates does not obtain any privileges or interests not entitled to employees relating to the said fund or programmes;
- (g) Any contract executed for the interests of employees of the Company or any of its subsidiaries, because of which, relevant director or any of his associates may gain similar interests conferred to employees of the Company but does not obtain any privileges or benefits that the employees relating to the contract do not have; and
- (h) Any contract under which any liability insurance is bought or extended for any one or several directors.

If and as long as (exclusively "if and as long as") a director and any of his associates (directly or indirectly) holds or beneficially owns 5% or more shares of any class of a company (or any third-party company by which the said director or his associate gains relevant equity), or 5% or more of voting shares the shareholders of the company may have, the said company shall be deemed as a company in which the said director or any of his associates owns 5% or more equity. With regard to this paragraph of this article, such shares shall not be counted, including any share that a director or any of his associates holds in the capacity of bare trustee or custodian trustee other than beneficial owner, any share constituting trust (if and as long as there are several other persons who are entitled to collect the income of the said trust) in which the interests of the director and his associate are reversionary rights or residual rights, and any share constituting recognised unit trust plans in which the director or his associate own interests only as unit holder.

If a company in which a director or any of his associates owns 5% or more of its equity has material interests in a certain contract, the said director shall also be deemed to have material interests in the said contract.

If such problems as whether a director (excluding the presider) or any of his associates has material interests or a director (excluding the presider) has the voting right at any meeting cannot be solved with the voluntary waiver of the voting right of the said director, the said problem shall be submitted to the presider, whose ruling on the related director shall be final. If the nature and extent of the interests of the relevant director or any of his associates are not fairly disclosed, the aforesaid provisions shall not apply. If any problem relating to the presider or any of his associates arises and the said problem cannot be solved with the voluntary waiver of the voting right of the presider, the said problem shall be subject to the resolution of the board of directors (in this respect, the presider shall be counted in the quorum but shall not vote on this), and the relevant resolution made by the board of directors shall be final. Where the nature and extent of the interests of the presider or any of his associates are not fairly disclosed, the aforesaid provisions shall not apply.

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

Article 11.1 The Company sets a secretary to the board of directors, who shall be a senior executive of the Company.

Article 11.2 The secretary to the board of directors shall be a natural person with adequate expertise and experience, and shall be appointed by the board of directors. His principal duties are:

- (I) To ensure the Company has complete organisation documents and records;
- (II) To ensure the Company legally prepares and submits reports and documents as required by the regulatory authorities;
- (III) To ensure that the shareholders' register of the Company is established appropriately and that the persons who have the right of access to the relevant documents and records of the Company obtain the same in due time; and
- (IV) To keep minutes of the meetings of board of directors and the committee under the board of directors.

Article 11.3 A director or other senior executive of the Company may serve concurrently as secretary to the board of directors. Any accountant of the accounting firm engaged by the Company shall not serve concurrently as secretary to the board of directors.

In the event a director serves concurrently as secretary to the board of directors, where any act requires to be executed by the director and the secretary to the board of directors separately, the said director serving concurrently as secretary to the board of directors shall not execute the said act in both capacities.

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

- Article 12.1 The Company shall have one general manager and several deputy general managers as appointed or dismissed by the board of directors, and the deputy general managers shall provide assistance to the general manager.
- Article 12.2 The general manager shall be accountable to the board of directors and exercise the following functions and powers:
- (I) To manage the business operations of the Company and organise to execute the resolutions of the board of directors;
  - (II) To organise to execute the Company's annual business plans and investment plans;
  - (III) To prepare the plan for the internal management setup of the Company;
  - (IV) To draft the basic management system of the Company;
  - (V) To formulate the basic rules of the Company;
  - (VI) To propose appointment or dismissal of deputy managers and chief financial officers of the Company;
  - (VII) To appoint or dismiss executives other than those to be appointed or dismissed by the board of directors;
  - (VIII) To exercise other functions and powers conferred in these Articles of Association and by the board of directors.
- Article 12.3 The general manager shall be present at the meetings of the board of directors, and if he is not a director, shall not have any voting right at the meetings of the board of directors.
- Article 12.4 In exercising functions and powers, the general manager of the Company shall fulfil the obligation of honesty and diligence in accordance with laws, administrative regulations and these Articles of Association.

## **Chapter 13 Supervisory Committee**

- Article 13.1 The Company shall have a supervisory committee.

Article 13.2 The supervisory committee shall comprise at least 3 and at most 5 members, which shall be determined at a general meeting and include one chairman. The chairman shall be appointed or removed by the votes of more than two thirds of the members of the supervisory committee. The term of office of a supervisor shall be 3 years. Upon expiration of his term, the said supervisor may be re-elected for successive terms.

Article 13.3 The supervisory committee shall comprise two to four shareholder representatives and one employee representative. Shareholder representatives shall be elected and dismissed at general meetings, and the employee representative shall be elected and dismissed democratically by the employees of the Company.

Article 13.4 Any director, the general manager or the chief financial officer shall not serve as supervisor concurrently.

Article 13.5 Meetings of the supervisory committee shall be held at least twice a year, and shall be convened by the chairman of the supervisory committee.

Article 13.6 The supervisory committee shall be responsible to the general meeting and exercise the following functions and powers according to law:

- (I) To review the financial operations of the Company;
- (II) To supervise the Company's directors, the general manager, deputy general managers and other senior executives for any violation of laws, administrative regulations or these Articles of Association while they perform their duties for the Company;
- (III) If any act of the Company's directors, the general manager, deputy general managers and other senior executives damages the interests of the Company, to require them to rectify such act accordingly;
- (IV) To examine financial information such as financial reports, business reports and profit distribution plans as proposed by the board of directors to the general meeting, and if there are any queries, to engage certified public accountants or practicing auditors in the name of the Company to assist in the examination;
- (V) To propose the convening of extraordinary general meetings;
- (VI) To negotiate with directors or pursue legal actions against the same on behalf of the Company; and

(VII) To exercise other functions and powers specified in these Articles of Association.

Supervisors shall attend meetings of the board of directors.

Article 13.7 Meetings of the supervisory committee shall be attended by all the supervisors. If a special circumstance requires an extraordinary meeting of the supervisory committee which some supervisor(s) cannot attend, the quorum of the meeting may be reduced to three fifths of the all the supervisors.

Resolutions of the meeting of the supervisory committee shall be approved by more than two thirds of the members of the supervisory committee.

Article 13.8 The Company shall bear all reasonable fees incurred in the retaining of such professionals as lawyers, certified public accountants, and practicing auditors by the supervisory committee in the exercise of its functions and powers.

Article 13.9 Supervisors shall honestly fulfil the supervisory duty in accordance with relevant laws, administrative regulations and these Articles of Association.

#### **Chapter 14 Qualifications and Obligations of Directors, Supervisors, the Manager, Deputy General Managers and Other Senior Executives**

Article 14.1 In any of the following circumstances, a person shall not serve as director, supervisor, the general manager, deputy general manager or other senior executive of the Company:

- (I) Without capacity or with limited capacity for civil conduct;
- (II) Was imposed criminal penalty due to taking graft, committing bribery, infringing upon property, embezzling property or disrupting socialism market economic order and it is less than 5 years since completion of the enforcement of the criminal penalty, or is deprived of political rights due to offence and it is less than 5 years since completion of the enforcement of the penalty;
- (III) Was once the director or manager of any company or enterprise which was bankrupted due to bad operation and was responsible for the bankruptcy of the said company or enterprise, and it is less than 3 years since the completion of liquidation for the bankruptcy of the said company or enterprise;



- (IV) Was once the legal representative of any company or enterprise which was revoked Business License due to illegal activities and was responsible for such illegal activities, and it is less than 3 years since the revocation of Business License of the said company or enterprise;
- (V) Has large outstanding debts;
- (VI) Is under investigation by the judiciary authority for violation of the criminal law;
- (VII) Is disqualified as corporate leader in laws and administrative regulations;
- (VIII) Is not a natural person;
- (IX) Was ruled by the relevant competent authority that he has violated the relevant securities regulations and committed any fraudulent or dishonest act, and it is less than 5 years since the ruling;

Article 14.2 The validity of an act of a director, manager or other senior executive on behalf of the Company for a goodwill third person is not affected by any incompliance in the appointment, election or qualification thereof.

Article 14.3 In exercising the functions and powers conferred by the Company, directors, supervisors, the general manager, deputy general managers and other senior executives shall fulfil the following obligations to the shareholders in addition to the obligations under the relevant laws, regulations or the listing rules of the stock exchange with which the Company is listed:

- (I) Not to let the Company operate beyond the business scope specified in its business licence;
- (II) To sincerely act in the best interest of the Company;
- (III) Not to seize from the Company any asset, including (but not limited to) opportunity favourable to the Company; and
- (IV) Not to seize from any shareholder any personal interests, including (but not limited to) right to profit distribution and right to vote, but excluding corporate reorganisation submitted for adoption at the general meeting pursuant to these Articles of Association.

Article 14.4 In exercising rights or fulfilling obligations, the directors, supervisors, the general manager, deputy general managers and other senior executives have the duty to act with due discretion, diligence and skill as a reasonable discreet person should do in similar circumstances.

Article 14.5 In fulfilling duties, the directors, supervisors, the general manager, deputy general managers and other senior executives shall observe the principle of honesty and shall not set themselves in a position where their own interests conflict with their obligations. The said principle includes (but is not limited to) the following obligations:

- (I) To sincerely act in the best interest of the Company;
- (II) To exercise their rights within their terms of reference;
- (III) To exercise personally the discretion vested in them and not to allow themselves to be controlled by others and,  
  
Save as permitted by laws or administrative regulations or with the informed consent of shareholders given at a general meeting, not to transfer the exercise of their discretion to others;
- (IV) To be equitable towards shareholders of the same class and fair towards shareholders of different classes;
- (V) Not to conclude any contract, conduct any transaction or make any arrangement with the Company saved as specified in these Articles of Association or with the informed consent of shareholders given at a general meeting;
- (VI) Not to seek personal gains by using the property of the Company in any form without the informed consent of shareholders given at a general meeting;
- (VII) Not to abuse official powers to accept bribes or other unlawful income, and not to expropriate the Company's property in any form, including (but not limited to) opportunity favourable to the Company;
- (VIII) Not to accept commissions in connection with the Company's transactions without the informed consent of shareholders given at a general meeting;
- (IX) To observe these Articles of Association, fulfil duties honestly, protect the interests of the Company, and not to seek personal gains by using their positions and powers in the Company;

- (X) Not to compete with the Company in any form without the informed consent of shareholders given at a general meeting;
- (XI) Not to appropriate the monies of the Company or lend the same to others, not to deposit the Company's assets in the accounts of their own or others, and not to use the Company's assets as security for the personal debts of the shareholders of the Company or others;
- (XII) Without the informed consent of the shareholders at a general meeting, not to disclose any confidential information related to the Company acquired by them during the term of their office; not to use the said information save for the interest of the Company; however, they may disclose such information to a court or other governmental competent authorities in the following circumstances:
  1. Required by law;
  2. Required in the interests of the public; and
  3. Required for the interests of the said directors, supervisors, the general manager, deputy general managers and other senior executives.

Article 14.6 Directors, supervisors, the general manager, deputy general managers and other senior executives of the Company shall not tell the following persons or institutions ("Connected Persons") to do anything that the directors, supervisors, the general manager, deputy general managers and other senior executives cannot do:

- (I) Spouses or minor offspring of directors, supervisors, the general manager, deputy general managers and other senior executives;
- (II) Trustees of directors, supervisors, the general manager, deputy general managers and other senior executives or persons set out in (I) of this article;
- (III) Partners of directors, supervisors, the general manager, deputy general managers and other senior executives or persons set out in (I) and (II) of this article;
- (IV) Companies effectively independently controlled by directors, supervisors, the general manager, deputy general managers and other senior executives of the Company or companies effectively jointly controlled with the persons set out in (I), (II) and (III) of this article or other directors, supervisors, the general manager, deputy general managers and other senior executives of the Company;

(V) Directors, supervisors, the general manager, deputy general managers and other senior executives of the companies as set out in (IV) of this article;

Article 14.7 The honesty obligation of directors, supervisors, the general manager, deputy general managers and other senior executives shall not necessarily end with the expiry of their terms of office, and their confidentiality obligation

for the Company shall continue after expiry of their terms of office. Other duties may continue for such period as the principle of fairness may require depending on the amount of time which has lapsed between the termination and the act concerned and the specific circumstances under which the relationship between the director and the Company was terminated.

Article 14.8 The liability of directors, supervisors, the general manager, deputy general managers and other senior executives of the Company for breaching a given obligation may be exempted through an informed resolution given by shareholders at a general meeting, save for the circumstances specified in Article 7.5 of these Articles of Association.

Article 14.9 If directors, supervisors, the general manager, deputy general managers and other senior executives of the Company have any direct or indirect material interests in any contract, transaction or arrangement already concluded or under planning with the Company (exclusive of engagement contract with the Company), they shall responsibly disclose the nature and extent of the said interests to the board of directors regardless whether the relevant matters are subject to approval by the board of directors in normal circumstances.

Unless the directors, supervisors, the general manager, deputy general managers and other senior executives of the Company having material interests have disclosed the said interests to the board of directors as per the preceding paragraph of this article, and the board of directors has not counted them in the quorum or approved the said matter at a meeting at which they do not vote, the Company shall have the right to cancel the said contracts, transactions or arrangements, save for the circumstance in which the other parties are goodwill parties uninformed of the default of the said directors, supervisors, the general manager, deputy general managers and other senior executives.

If the connected persons of the directors, supervisors, the general manager, deputy general managers and other senior executives of the Company have any interests in a given contract, transaction or arrangement, the said directors, supervisors, the general manager, deputy general managers and other senior executives shall be deemed as having interests.

Article 14.10 If, before concluding relevant contracts, transactions or arrangements with the Company for the first time, the directors, supervisors, the general manager, deputy general managers and other senior executives of the Company have notified the board of directors in writing that they will have interests in the contracts, transactions or arrangements concluded in the future because of the reasons set out in the notice, they will be deemed as having executed disclosure as specified in the preceding article.

Article 14.11 The Company shall not pay taxes in any form for the directors, supervisors, the general manager, deputy general managers and other senior executives thereof.

Article 14.12 The Company shall not directly or indirectly provide loan or loan guarantee to the directors, supervisors, the general manager, deputy general managers and other senior executives of the Company or its parent company, or to the connected persons of the aforesaid persons.

The preceding paragraph does not apply to the following circumstances:

- (I) The Company provides loan or loan guarantee for its subsidiaries;
- (II) The Company, in accordance with the engagement contracts approved at the general meeting, provides loan, loan guarantee or other monies to the directors, supervisors, the general manager, deputy general managers and other senior executives of the Company so that they may pay the expenses incurred for the Company or for fulfilling duties of the Company;
- (III) If the normal business scope of the Company includes provision of loan and loan guarantee, the Company may provide loan and loan guarantee to the relevant directors, supervisors, the general manager, deputy general managers and other senior executives and the connected persons thereof, but the conditions for providing loan or loan guarantee shall be normal business conditions.

Article 14.13 If the Company provides loan in violation of the preceding article, the recipient of the loan shall return the same immediately regardless of the loan conditions.

Article 14.14 The Company shall not be forced to execute loan guarantee provided in violation of Paragraph 1 of Article 14.12 except in the following circumstances:

- (I) The loan provider does not know that it has provided loan to the connected persons of the directors, supervisors, the general manager, deputy general managers and other senior executives of the Company or its parent company;

- (II) The guarantee provided by the Company has been sold by the loan provider lawfully to a goodwill buyer.

Article 14.15 The guarantee as referred to in the preceding articles includes the act of the guarantor to undertake the responsibility or provide property to ensure that the obligor fulfils the obligations.

Article 14.16 If the directors, supervisors, the general manager, deputy general managers and other senior executives fail to fulfil the obligations to the Company, the Company shall have the right to take the following actions in addition to the rights and remedial measures under the relevant laws and administrative regulations:

- (I) Require the directors, supervisors, the general manager, deputy general managers or other senior executives to compensate the Company for the losses arising from their neglect of duty;
- (II) Cancel the contracts or transactions concluded between the Company and the directors, supervisors, the general manager, deputy general managers and other senior executives of the Company, or between the Company and a third person (if the third person knows or is supposed to know that the directors, supervisors, the general manager, deputy general managers and other senior executives representing the Company have breached their obligations to the Company);
- (III) Require the relevant directors, supervisors, the general manager, deputy general managers and other senior executives to surrender gains arising from breach of obligations;
- (IV) Recover monies, including (but not limited to) commissions, received by the relevant directors, supervisors, the general manager, deputy general managers and other senior executives but receivable by the Company;
- (V) Require the relevant directors, supervisors, the general manager, deputy general managers and other senior executives to surrender interests earned or likely to be earned from monies payable to the Company;

Article 14.17 The Company shall conclude written contracts with directors and supervisors in relation to their remunerations, subject to prior approval at a general meeting. The aforesaid remunerations include:

- (I) Remunerations for directors, supervisors or senior executives of the Company;
- (II) Remunerations for directors, supervisors or senior executives of subsidiaries of the Company;

(III) Remunerations for providing other services for the management of the Company and subsidiaries thereof;

(IV) Compensations for the said directors or supervisors for losing their positions or for retirement.

Save as specified in the aforesaid contracts, the directors and supervisors shall not pursue legal action against the Company for the aforesaid interests.

Article 14.18 The Company shall specify in the contracts concluded with the directors or supervisors in relation to remunerations that if the Company is acquired, the directors or supervisors shall have the right to seek compensations or other monies for losing their positions or for retirement under the conditions approved at the general meeting.

The acquisition in the preceding paragraph refers to any of the following circumstances:

(I) Tender offer of any person to all the shareholders;

(II) Tender offer of any person to become a controlling shareholder of the Company. The definition of a controlling shareholder is the same as that in Article 7.6 of these Articles of Association.

Any monies received by the relevant directors or supervisors in violation of the provisions of this article shall belong to those who sell their shares in response to the aforesaid tender offer, and the said directors or supervisors shall bear the expenses for distributing the said monies in proportion, which expenses shall not be deducted from the said monies.

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

Article 15.1 The Company shall formulate its financial and accounting systems in accordance with relevant laws, administrative regulations and PRC accounting standards of the relevant financial authority of the State Council.

Article 15.2 The Company shall prepare financial reports at the end of each fiscal year, which reports shall be subject to legal examination and verification.

The fiscal year of the Company shall be the Gregorian calendar year, namely, from 1 January to 31 December every year. The Company shall use Renminbi as the recording currency.

- Article 15.3 The board of directors shall, at each annual general meeting, submit to the shareholders the financial reports prepared by the Company in accordance with the relevant laws, administrative regulations, and regulatory documents of local governments and competent authorities.
- Article 15.4 The financial reports of the Company shall be kept in the Company and accessible to the shareholders at least 20 days before convening of the annual general meeting. Every shareholder shall have the right of access to the aforesaid financial reports.
- The Company shall send by prepaid mail to all holders of overseas listed shares copies of the financial reports, balance sheets (including appendixes required by PRC laws and administrative regulations), and income statements (or the aforesaid reports). The financial reports shall be served to all shareholders at least 21 days before the annual general meeting, as per the addresses in the shareholders' register.
- Article 15.5 The financial reports of the Company shall be prepared in accordance with the PRC accounting standards and regulations as well as the international accounting standards or the accounting standards of the overseas listing place. If the financial reports prepared under the two accounting standards are discrepant significantly, such discrepancy shall be explained in the notes to the financial statements. The Company shall distribute the after-tax profit of the relevant fiscal year as per the less of the after-tax profits in the aforesaid two financial reports.
- Article 15.6 The interim results or financial data announced or disclosed by the Company shall be prepared in accordance with the PRC accounting standards and regulations as well as the international accounting standards or the accounting standards of the overseas listing place.
- Article 15.7 The Company shall announce two financial reports each fiscal year, i.e. interim financial report announced within 60 days after the end of the first six months of the fiscal year and the annual financial report announced within 120 days after the end of the fiscal year.
- Article 15.8 The Company shall not establish account books other than the statutory account books.
- Article 15.9 The interim and annual financial reports of the Company shall be announced pursuant to relevant securities laws and regulations of China and the rules of the stock exchange with which the Company is listed.
- Article 15.10 The Company shall distribute its after-tax profits in the following order:
- (I) To recover losses;



- (II) To withdraw statutory surplus reserve;
- (III) To withdraw statutory public welfare fund;
- (IV) To withdraw discretionary surplus reserve; and
- (V) To pay dividend from ordinary shares.

The specific percentages of distribution in (IV) and (V) of this article in a certain year shall be proposed by the board of directors as per the operations and development needs of the Company, and examined and approved at the general meeting.

Article 15.11 The Company shall not distribute dividends before recovering losses and withdrawing statutory common reserve fund and statutory public welfare fund;

Article 15.12 The Company shall withdraw 10% of its after-tax profits as statutory surplus fund. Such withdrawal may be stopped when the statutory surplus fund of the Company has accumulated to at least 50% of the registered capital of the Company.

Article 15.13 The Company shall withdraw 5-10% of its after-tax profits as statutory public welfare fund.

Article 15.14 After statutory surplus fund and statutory public welfare fund are withdrawn out of the after-tax profits, discretionary surplus reserve may also be withdrawn out of the same as per a resolution made at a general meeting.

Article 15.15 Capital reserve includes the following:

- (I) Premium arising from issue above the par value of the stock;
- (II) Other revenues required by the financial authority under the State Council to be stated as capital reserve.

Article 15.16 The common reserve funds of the Company shall only serve the following purposes:

- (I) To recover losses;
- (II) To enlarge production capacity; and
- (III) To increase capital. The Company may, as per a resolution of general meeting and pursuant to relevant provisions, convert appropriate amount of capital reserve and surplus reserve into capital, and distribute new shares as per the

existing equity structure or increase the par value per share. However, when statutory surplus reserve is converted into capital, the amount of the said fund left shall not be less than 25% of the registered capital of the Company.

Article 15.17 The Company withdraws statutory public welfare fund for the collective welfare of its employees.

Article 15.18 Under the restrictions set out in Articles 15.10, 15.11, 15.12 and 15.13 of these Articles of Association, the annual dividends shall be distributed as per the equity structure within 6 months from the end of the fiscal year.

Article 15.19 The Company may distribute dividends in either of the following forms:

(I) Cash;

(II) Shares;

Article 15.20 In distributing dividends to shareholders, the Company shall deduct taxes payable by the shareholders pursuant to PRC tax laws.

Article 15.21 The board of directors may, as authorised by a general meeting, decide on the plan for distributing interim or special dividends of the Company.

Article 15.22 The Company shall appoint collection agents for holders of overseas listed shares. The collection agents shall, on behalf of the related shareholders, collect dividends and other payables distributed by the Company for the overseas listed shares.

The agents appointed by the Company shall meet the requirements of the laws of the listing place or the stock exchange.

The agents appointed by the Company for holders of H shares listed on SEHK shall be trust companies registered pursuant to *Trustee Ordinance* of Hong Kong.

## **Chapter 16 Appointment of Certified Public Accountants**

Article 16.1 The Company shall appoint qualified independent certified public accountants to audit the annual financial reports and other financial reports of the Company.

The first certified public accountant of the Company may be appointed at the founding meeting before the first annual general meeting. The term of the said certified public accountant shall end at conclusion of the first annual general meeting.

If the aforesaid power is not exercised at the founding meeting, the board of directors will exercise the said power.

Article 16.2 The term of appointment of certified public accountants for the Company shall be from conclusion of one annual general meeting to conclusion of the next annual general meeting.

Article 16.3 The certified public accountants engaged by the Company shall have the following rights:

(I) To access the account books, records or vouchers, and to ask directors, managers or other senior executives to provide relevant documents and explanations;

(II) To ask the Company to take every action possible to obtain documents and explanations from its subsidiaries needed for the certified public accountants to perform their duties;

(III) To be present at general meetings, get notice of general meeting or other information relating to general meetings, and deliver speeches at general meeting in relation to the matters concerning the certified public accountants.

Article 16.4 In the event of vacancy of certified public accountants, the board of directors may appoint certified public accountants to fill the said vacancy before convening of a general meeting. During duration of the said vacancy, if the Company has any incumbent certified public accountants, the said certified public accountants may still fulfil their duties.

Article 16.5 Regardless of the terms in the contract concluded between the certified public accountants and the Company, the general meeting may, through an ordinary resolution, dismiss the said certified public accountants before expiry of the term thereof. In the event of any rights claimed by the certified public accountants against the Company, the said rights shall not be affected.

Article 16.6 The remunerations of the certified public accountants or the method for determining the same shall be subject to the decision of the general meeting. The remunerations of the certified public accountants appointed by the board of directors shall be determined by the board of directors.

Article 16.7 Appointment, dismissal or non-appointment of certified public accountants shall be subject to decision at the general meeting and shall be filed with the securities regulatory authority under the State Council.

Article 16.8 The general meeting shall comply with the following provisions in passing a resolution to appoint non-incumbent certified public accountants to fill any vacancy of certified public accountants or continue appointing certified public accountants appointed by the board of directors to fill the vacancy or dismiss incumbent certified public accountants:

- (I) The proposal for appointment or dismissal shall, before the notice of general meeting is sent, be served to certified public accountants to be appointed or to terminate service or having terminated service in the relevant fiscal year. (Termination of service includes dismissal, removal and resignation.)
- (II) If the certified public accountants about to terminate service make a written statement and request the Company to notify the shareholders of the said statement, the Company shall take the following actions unless the statement is received too late:
  - (1) Describe in the notice issued for the resolution that the certified public accountants about to terminate service have made a statement; and
  - (2) Send to the shareholders a copy of the statement as an attachment to the notice in the form specified in these Articles of Association.
- (III) If the Company fails to send out the statement of the certified public accountants as specified in (II) herein, the relevant certified public accountants may require that the said statement be read at the general meeting and may lodge a complaint.
- (IV) Certified public accountants about to terminate service have the right to attend the following meetings:
  - (1) The general meeting at which their term of appointment expires;
  - (2) The general meeting for filling vacancy because of their termination of service;
  - (3) The general meeting held because of their resignation.

The certified public accountants about to terminate service shall have the right to receive all the notices of the aforesaid meetings or other information relating to the meetings, and deliver speeches at the meetings in relation to the matters concerning the certified public accountants.

Article 16.9 Where the Company dismisses or does not continue appointing the certified public accountants, prior notice shall be given to the certified public accountants, and the certified public accountants shall have the right to state their opinions to the general meeting. Where the certified public accountants tender their resignation, they shall state to the general meeting whether the Company has anything inappropriate.

Article 16.10 The certified public accountants may resign by placing a written notice of resignation at the domicile of the Company. The said notice shall take effect on the date of delivery to the domicile of the Company or on a later date specified in the notice. The said notice shall include the following statements:

(I) A statement that their resignation does not involve any information to be disclosed to the shareholders or creditors of the Company; or

(II) A statement that any information is to be disclosed.

Article 16.11 The Company shall send a copy of the written notice mentioned in (II) of Article 16.10 of these Articles of Association to the competent authority within 14 days after receipt of the said notice. If the notice contains the statement mentioned in (II) of Article 16.10 of these Articles of Association, the Company shall keep a copy of the said statement in the domicile of the Company for reference by the shareholders. The Company shall also send the aforesaid copy by prepaid mail to every holder of overseas listed shares at the address as shown in the shareholders' register.

Article 16.12 If the notice of resignation of the certified public accountants contains the statement mentioned in (II) of Article 16.10 of these Articles of Association, the certified public accountants may require the board of directors to convene an extraordinary general meeting to listen to their explanation about the resignation.

## **Chapter 17 Insurance**

Article 17.1 Various insurances of the Company shall be taken over by insurance companies incorporated in PRC and allowed by PRC laws to provide insurance services for Chinese companies.

Article 17.2 The types of risk, amount insured, duration of risk and other clauses of risk shall be discussed and determined by the board of directors in line with the practices of overseas counterparts, and Chinese practices and laws.

## **Chapter 18 Labour Management**

Article 18.1 The Company shall formulate its labour management, personnel management, salaries, welfare and social security systems pursuant to PRC laws and regulations and relevant administrative regulations.

- Article 18.2 The Company shall engage executives and sign contracts with ordinary employees. The Company may determine its own human resources structure, and recruit and dismiss executives and employees pursuant to relevant laws and the contracts.
- Article 18.3 The Company may determine the salaries, welfares and fringe benefits of its executives and employees in the light of its own profit position and in accordance with relevant administrative regulations.
- Article 18.4 The Company shall buy medical insurance, pension insurance and unemployment insurance pursuant to the relevant administrative regulations of the central government and local governments of China, and the laws and regulations on the labour insurance of retired and unemployed employees of the Company.

## **Chapter 19 Trade Union**

- Article 19.1 The employees of the Company shall have the right to establish a trade union and conduct relevant activities pursuant to the Trade Union Law of the People's Republic of China. The Trade Union shall carry out the activities beyond the regular working hours, save as otherwise specified by the board of directors.

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

- Article 20.1 In respect of the merger or division of the Company, the board of directors shall propose a plan and have it adopted following the procedure specified in these Articles of Association, and go through relevant examination and approval formalities pursuant to law. Any shareholder objecting to merger or division of the Company shall have the right to require the Company or the shareholders approving merger or division of the Company to buy his shares at a fair price. Resolution on merger or division of the Company shall be archived as document for reference by the shareholders. The aforesaid document shall also be served by mail to holders of H shares.
- Article 20.2 Merger of the Company may be in two forms: merger by absorption and merger by consolidation.
- In the event of merger of the Company, the parties concerned shall conclude a merger agreement and prepare balance sheets and property inventories. The Company shall notify all creditors within 10 days after adoption of the merger resolution and shall make at least three announcements in newspapers within 30 days.
- The credits and debts of the Company after merger shall be inherited by the company subsisting after merger or by the newly established company.

Article 20.3 Where the Company is divided, its properties shall be divided accordingly.

In the event of division of the Company, the parties concerned shall conclude a Division Agreement and prepare balance sheets and property inventories. The Company shall notify all creditors within 10 days after adoption of the division resolution and shall make at least three announcements in newspapers within 30 days.

The debts of the Company before division shall be undertaken by the companies after division as per the agreements concluded.

Article 20.4 Change in registered particulars arising from a merger or division of the Company shall be registered with the company registration authority according to law. If the Company is dissolved, it shall be deregistered according to law. If a new company is established, such establishment shall be registered according to law.

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

Article 21.1 The Company shall be dissolved and liquidated according to law in any of the following circumstances:

- (I) The general meeting has resolved to dissolve the Company;
- (II) Merger or division of the Company entails dissolution;
- (III) The Company is declared insolvent according to law because it is unable to pay its debts as they fall due;
- (IV) The Company has been ordered to close down for violation of laws or administrative regulations.

Article 21.2 In the event of dissolution pursuant to (I) of the preceding article, the Company shall set up a liquidation committee within 15 days, and the members of the committee shall be decided by an ordinary resolution on a general meeting.

If the Company is dissolved pursuant to (III) of the preceding article, a liquidation committee comprising shareholders, the relevant institutions and relevant professionals shall be established by the People's Court in accordance with relevant laws to carry out the liquidation.

If the Company is dissolved in the circumstance set out in (IV) of the preceding article, a liquidation committee comprising shareholders, the relevant institutions and relevant professionals shall be established by the relevant competent authority to carry out the liquidation.

Article 21.3 If the board of directors decides to liquidate the Company (save for liquidation when the Company is declared bankrupt), the notice of general meeting to be held therefor shall contain a statement that the board of directors has made thorough investigation on the conditions of the Company and that the Company may repay all the debts of the Company within 12 months after commencement of liquidation. After the resolution on liquidation is adopted at the general meeting, the functions and powers of the board of directors shall terminate immediately.

The liquidation committee shall, as per the instructions of the general meeting, report to the general meeting at least once a year about the revenues and expenses of the liquidation committee, the businesses of the Company and the progress of liquidation, and deliver a final report to the general meeting at the end of liquidation.

Article 21.4 The liquidation committee shall notify all creditors within 10 days after its establishment and shall make at least three announcements in newspapers within 60 days. The liquidation committee shall register the creditor's rights.

Article 21.5 The liquidation committee shall exercise the following functions and powers:

- (I) To examine and take possession of the assets of the Company and prepare the balance sheet and a property inventory;
- (II) To inform creditors by notice or announcement;
- (III) To deal with the outstanding businesses of the Company relating to liquidation;
- (IV) To settle outstanding tax payment;
- (V) To settle creditor's rights and debts;
- (VI) To dispose of the remaining assets of the Company after repayment of debts;  
and
- (VII) To represent the Company in civil proceedings.

Article 21.6 After the liquidation committee has examined and taken possession of the assets of the Company and prepared a balance sheet and a property inventory, it shall formulate a liquidation proposal and submit it to the general meeting or the relevant competent authority for confirmation.

The properties of the Company shall be liquidated in the following order of priority:

- (I) Liquidation fee;



- (II) Salaries and labour insurance premiums payable for the employees of the Company;
- (III) Outstanding taxes;
- (IV) Debts of the Company.

The properties of the Company remaining after repayment as specified in the preceding paragraph shall be distributed to the shareholders as per the types of their shares and their shareholding percentages:

The Company shall not conduct any new business activity in the course of liquidation.

Article 21.7 In case of dissolution of the Company, after the liquidation committee has examined and taken possession of the properties of the Company and prepared a balance sheet and a property inventory, if it discovers that the Company's properties are insufficient to repay its debts in full, it shall immediately apply to the People's Court to declare the Company bankrupt.

Following a ruling by the People's Court that the Company is bankrupt, the liquidation committee shall transfer to the People's Court all matters relating to the liquidation.

Article 21.8 After completion of liquidation of the Company, the liquidation committee shall prepare liquidation report, income and expenditure statement and account books in respect of the liquidation period and, after verification of the Chinese certified public accountants, shall submit the same to the general meeting or the relevant competent authority for confirmation. The liquidation committee shall, within 30 days after obtaining confirmation from the general meeting or the relevant competent authority, submit the aforesaid documentation to the company registration authority, and apply to cancel registration of the Company and announce termination of the Company.

## **Chapter 22 Procedure for Amending Articles of Association**

Article 22.1 The Company may amend these Articles of Association pursuant to the laws, administrative regulations and these Articles of Association.

Article 22.2 These Articles of Association shall be amended as follows:

- (I) The board of directors may, pursuant to a resolution passed under these Articles of Association, propose to amend these Articles of Association and draw up plans for the amendment;

- (II) The board of directors shall notify the shareholders of the amendment plan and convene a general meeting to vote on it;
- (III) Provided that these Articles of Association are observed, the amendments submitted to the general meeting shall be approved by special resolutions.

Article 22.3 If the amendment to these Articles of Association involves any content of Mandatory Provisions, the said amendment shall be subject to approval by the company examination and approval authority authorised by the State Council and China Securities Regulatory Commission; if the amendment involves registration of the Company, the involved change shall be registered pursuant to law.

## **Chapter 23 Settlement of Disputes**

Article 23.1 The Company shall settle disputes following the rules below:

- (I) In the event of any dispute or claim between a holder of overseas listed shares and the Company, between a holder of overseas listed shares and a director, supervisor, manager or other senior executive, and between a holder of overseas listed shares and a holder of domestic shares arising from rights and obligations specified in these Articles of Association, *Company Law* and other relevant laws and administrative regulations and relating to the affairs of the Company, the parties concerned shall submit the said dispute or claim for arbitration.

Disputes relating to definition of shareholders and shareholders' register may be settled other than through arbitration.

- (II) The applicant for arbitration may select China International Economic and Trade Arbitration Commission for arbitration following the arbitration rules thereof or select Hong Kong International Arbitration Centre for arbitration following the securities arbitration rules thereof.
- (III) After the applicant for arbitration submits the dispute or claim for arbitration, the other party must accept arbitration at the arbitral institution selected by the applicant.

If the applicant for arbitration selects Hong Kong International Arbitration Centre for arbitration, either party may request that the arbitration be conducted in Shenzhen following the securities arbitration rules of Hong Kong International Arbitration Centre.

(IV) Settlement of disputes or claims set out in (I) by way of arbitration shall be governed by PRC laws save as otherwise specified by laws and administrative regulations.

(V) The arbitration award made by the arbitral institution shall be final and binding on both parties.

## **Chapter 24 Notice**

Article 24.1 Notices, documents or written statements sent by the Company to H share holders of the Company shall be served by personal delivery to the

registered addresses of all the holders of registered H shares, or by mail to the addresses of all the H share holders set out in the shareholders' register.

Article 24.2 If the notice of the Company is sent by mail, it is only required to specify the address, name of the addressee, and prepaid postage, and put the notice in the envelope, and the envelope enclosing the said notice shall be deemed as served 24 hours after being sent out;

Article 24.3 Any notice, document, datum or written statement issued by the shareholder or director to the Company shall be delivered to the legal address of the Company by personal delivery or registered post.

Article 24.4 To prove that a shareholder or director has delivered a notice, document or written statement to the Company, a statement shall be made that the said notice, document or written statement has been served within the prescribed time in accordance with Article 24.3 of these Articles of Association; if the said notice, document or written statement is sent by personal delivery, a receipt confirmation of the Company shall be provided, and if by registered mail, only an evidential document showing the said notice, document or written statement has been sent by prepaid mail to the correct address shall be provided.

## **Chapter 25 Interpretations and Definitions of these Articles of Association**

Article 25.1 These Articles of Association shall be subject to interpretation of the board of directors, and matters not covered herein shall be submitted by the board of directors to resolution at a general meeting.

Article 25.2 These Articles of Association shall be executed in Chinese and English, and the Chinese version shall prevail.

Article 25.3 The following terms shall have the following meanings in these Articles of Association save as otherwise interpreted in specific contexts:

“These Articles of Association”	refer to	the Articles of Association of the Company
“Board of Directors”	refers to	the board of directors of the Company
“Chairman”	refers to	the chairman of the board of directors
“Directors”	refer to	any director of the Company
“Overseas listed foreign shares”	refer to	any overseas listed foreign shares of the Company
“Domicile of the Company”	refers to	34 Qidong Road, Weiqiao Town, Zouping County, Shandong Province
“RMB”	refers to	the statutory currency of PRC
“Secretary to the Board of Directors”	refers to	the secretary of the Company appointed by the board of directors
“PRC” and “state”	refer to	The People’s Republic of China
“SEHK”	refer to	The Stock Exchange of Hong Kong Limited
“Company”	refers to	the Company, namely, Weiqiao Textile Co., Ltd.
“Certified Public Accountants”	are the same	as auditors referred to in <i>Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited</i>
A13D	refers to	Section D of Appendix 3 of SEHK New Listing Rules