
(If there is any inconsistency between the English and Chinese versions of Articles of Association, the Chinese version shall prevail.)

Hainan Meilan International Airport Company Limited

(A Joint Stock Limited Company Incorporated in the People's Republic of China)

(Adopted by the Shareholders' General Meeting on 4th September, 2002, and became effective on 18th September 2002 upon the approval of the State Economic and Trade Commission, and modified by the Annual General Meeting in May, 2004, the Extraordinary General Meeting in 15th October, 2007, the Annual General Meeting in 30th May, 2008, the Extraordinary General Meeting in 16th December, 2008, the Annual General Meeting in 17th May and the Extraordinary General Meeting in 24th October, 2011.)

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.

Index

Chapter 1	General Provisions	1
Chapter 2	Objectives and Scope of Business	4
Chapter 3	Share Capital and Registered Capital	5
Chapter 4	Capital Reduction and Share Repurchase	10
Chapter 5	Financial Assistance for the Purchase of Company Shares	13
Chapter 6	Share Certificates and Register of Shareholders	15
Chapter 7	Rights and Obligations of Shareholders	20
Chapter 8	Shareholders' General Meeting	23
Chapter 9	Special Procedures for Resolution on Class Shareholders	34
Chapter 10	Board of Directors	38
Chapter 11	Secretary of the Company's Board of Directors	44
Chapter 12	General Manager of the Company	45
Chapter 13	Supervisory Committee	46
Chapter 14	Qualifications and Obligations of the Company's Directors, Supervisors, General Manager and Other Senior Management Personnel	48
Chapter 15	Financial and Accounting System and Distribution of Profits	57
Chapter 16	Appointment of Auditors	62
Chapter 17	Organisation of Labour Union	65
Chapter 18	Merger and Division of the Company	65
Chapter 19	Dissolution and Liquidation of the Company	67
Chapter 20	Procedures for Amending the Articles of Association	70
Chapter 21	Resolution of Disputes	71
Chapter 22	Insurance	72
Chapter 23	Labour Management	72
Chapter 24	Notice	73
Chapter 25	Supplementary Provisions	73

Hainan Meilan Airport Company Limited

Articles of Association

(Adopted by the Shareholders' General Meeting on 24th October, 2011)

Chapter 1 General Provisions

Article 1 The Company is a joint stock limited company incorporated in accordance with the "PRC, Company Law" (hereinafter called the "Company Law"), the "State Council, Share Subscription and Listing Outside China by Joint Stock Limited Companies Special Regulations" (hereinafter called the "Special Regulations"), and other relevant laws and administrative regulations of the State.

The Company was incorporated by promoters, upon obtaining the approval "Hainan Share System Enterprises Office Document [2000]97" issued by the Hainan Province Share System Enterprises Office on the 26th December, 2000. The Company was registered with the Hainan Province Administration for Industry and Commerce on the 28th December, 2000, and received the Company's business license. The license number is 4600001008403.

The Company's promoters are Haikou Meilan Airport Company Limited, Hainan Airlines Company Limited, HNA Group Company Limited, Central South Civil Aviation Economy Development Corporation, and China Southern Airlines Company Limited.

(mandatory 1)

Article 2 Company's registered name in Chinese: 海南美蘭國際機場股份有限公司
Company's name in English: Hainan Meilan International Airport Company Limited

(mandatory 2)

Article 3 Registered address: Complex Building of Meilan Airport, Haikou, Hainan, PRC.
Postal code: 571126
Telephone number: (86-898) 65762009
Facsimile number: (86-898) 65762010
(mandatory 3)

Article 4 The legal representative of the Company is the chairman of the board of directors of the Company.
(mandatory 4)

Article 5 The Company is a perpetual joint stock limited company.
(mandatory 5)

Article 6 The Articles of Association of the Company was passed by the shareholders' general meeting by means of a special resolution, and became effective upon the approval of the department in charge of company examination and approval as authorised by the State Council to replace the Articles of Association originally registered with the administrative department for industry and commerce.

From the effective date onwards, the Articles of Association (including future amendments) has become the legally binding document regulating the Company's organisation and actions, relationship between the Company and the shareholders, and rights and obligations among the shareholders.

The contents of the Articles of Association were drafted mainly on the basis of the "Company Law," and the "Mandatory Provisions in the Articles of Association for Companies Listing Outside China" (hereinafter called "Mandatory Provisions") (Securities Commission Decree No. [1994]21) as prescribed by the department in charge of company examination and approval authorised by the State Council and the China Securities Regulatory Commission on the 27th August, 1994, the "Suggestions for Supplementary Amendments to the Articles of Association for Companies Listed in Hong Kong," (CSRC Notice No. [1995]1) issued by the Overseas Listing Department of the China Securities Regulatory Commission and the

State Ministry for Restructuring and Production on the 3rd April, 1995, and “Regarding the Promulgation of ‘Guidelines for the Articles of Association of Listed Companies’ Notice” issued by the China Securities Regulatory Commission on the 26th October, 1997. Any amendment to the “Mandatory Provisions” shall be passed by a special resolution by the shareholders’ general meeting in accordance with Chapter 78 in the Articles of Association.

(mandatory 6)

Article 7 The Articles of Association shall have binding effect on the Company, and its shareholders, directors, supervisors, general manager, (or called president, CEO etc. Hereinafter the same) and other senior management personnel. Such persons shall be entitled to exercising their rights regarding the Company according to the Articles of Association.

The shareholders may bring legal actions against the Company according to the Articles of Association; the Company may bring legal actions against the shareholders according to the Articles of Association; the shareholders may bring legal actions against the shareholders; the shareholders may bring legal actions against the directors, supervisors, general manager and other senior management personnel according to the Articles of Association.

The other senior management personnel according to the Articles of Association are the vice general manager, the company secretary, CFO.

Such legal actions include applying to the court for legal actions and applying for arbitration with the arbitration board.

(mandatory 7)

Article 8 The Company may invest in other limited companies and joint stock limited companies, and be responsible to the invested companies for the amount invested.

As approved by the department in charge of company examination and approval authorised by the State Council, the Company may operate according to Section 2, Article 12 of the “Company Law,” depending on operating requirements.

(mandatory 8)

Article 9 The Company is an independent enterprise legal person. The Company shall conduct all its business in full compliance with the laws and regulations of China and of places outside China where foreign shares are listed, and shall protect the legal rights of shareholders. All the Company’s capital is divided into equal shares. Shareholders’ liability towards the Company is limited to the extent of the shares they hold. The Company is liable to its liabilities to the extent of all the Company’s assets.

Under the premises of abiding by the laws and administrative regulations of China, the Company possesses the rights to raise and borrow funds. The right to raise funds includes, but not limited to, issuing company bond, mortgage, or pledging the ownership or the right of use of part of or all of the Company’s assets, or exercising any other rights allowed by the laws and administrative regulations of China. However, when exercising the above rights, the Company shall not harm or abrogate the rights of any class of shareholders.

Chapter 2 Objectives and Scope of Business

Article 10 The Company’s operation objectives are to establish and operate a first rate airport service enterprise, and to abide by the management guideline of “safety first and customers always number one,” in order to provide the Company’s customers with reliable and safety protection and the best services. At the same time, the Company aims to achieve better financial and social benefits, in order to provide shareholders with good return on their investment, as well as good career prospects for employees. The goal is for the Company to move towards capital markets.

(mandatory 9)

Article 11 Activities examined and authorized by the department in charge of company examination and approval form the scope of business of the Company.

Business scope of the Company: To provide aircraft transportation, passenger services and ground handling services for domestic and foreign airlines as well as transfer and transit passengers; lease aviation business spaces and commercial and office properties in the terminals and provide a wide range of services; build and operate aeronautical and auxiliary properties and facilities in the airport; provide cargo warehousing (excluding dangerous articles), packaging, handling and transport services; and provide retail sales of jet fuel, hardware, electric appliance, electronic products and communication devices, grocery, textile, arts and crafts as well as magazines to (among others) airlines or passengers within the premises of the airport. (Licenses are obtained for any business activities requiring administrative permit)

(mandatory 10)

Chapter 3 Share Capital and Registered Capital

Article 12 The Company always has ordinary shares ready on hand. The Company may, in accordance with requirements and after obtaining the approval of the department in charge of company examination and approval authorised by the State Council, establish other classes of shares.

(mandatory 11)

Article 13 All shares issued by the Company are par shares and each share has par value of RMB1.00.

(mandatory 12)

Article 14 The Company may issue shares to domestic or overseas investors after obtaining the approval of the institution in charge of securities administration in the State Council.

Overseas investors referred to in the above paragraph are the investors from places outside China, Hong Kong Special Administrative Region, Macau Special Administrative Region or Taiwan Region who have subscribed for shares in the Company. Domestic investors are the investors who have subscribed for shares in the Company and who are residents of the People's Republic of China other than the above-mentioned regions.

(mandatory 13)

Article 15 The shares issued by the Company to domestic investors and paid in Renminbi are called domestic shares. The shares issued by the Company to overseas investors and paid in foreign currency are called foreign shares. Foreign shares that are listed outside China are called overseas listed foreign shares. Both domestic share and overseas share shareholders are common share shareholders.

(mandatory 14)

Article 16 The Company was incorporated as a joint stock company by promoters according to the permit, Hainan Share Office No. [2000]97, dated the 26th December, 2000, issued by the Hainan Province Share System Enterprises Office, and according to the "Hainan Province Securities Regulatory Office, Conditions and Procedures for Establishing Joint Stock Limited Companies Regulations" (Hainan Securities Office No. [1997]8). The total number of issued ordinary shares is 250,000,000, all subscribed by the promoters below, making up 100% of issued ordinary shares:

Haikou Meilan Airport Company Limited	237,500,000 shares	95%
Hainan Airlines Company Limited	5,287,500 shares	2.115%
HNA Group Company Limited	3,512,500 shares	1.405%
Central South Civil Aviation Economy Development Corporation	2,775,000 shares	1.11%
China Southern Airlines Company Limited	925,000 shares	0.37%

(mandatory 15)

Article 17 After incorporation, the Company increased its capital for the first time by issuing ordinary shares. The newly issued shares are 223,213,000 overseas listed foreign shares including 198,000,000 shares of initial offer and 25,213,000 shares of over-allotment. At the same time, 3,700,000 domestic shares were transferred into foreign shares.

The Company's share structure is as follows: there are 473,213,000 common shares including 246,300,000 domestic shares that account for 52.05% of the total common shares. These shares are held as follows: 237,500,000 shares by Haikou Meilan International Airport Company Limited, 5,287,500 by Hainan Airlines Company Limited, 3,512,500 by HNA Group Company Limited. There are 226,913,000 foreign shares held by foreign shareholders, which account for 47.95% of the total common shares.

(mandatory 16)

Article 18 The Company's plan regarding the issue of overseas listed foreign shares or domestic shares has been approved by the institution in charge of securities administration in the State Council. The Company's board of directors may make arrangements to issue the shares respectively.

The plan to issue overseas listed foreign shares and domestic shares may be carried out respectively within fifteen months from the date of receiving the approval of the China Securities Regulatory Commission.

(mandatory 17)

Article 19 The Company's plan to issue the confirmed numbers of overseas listed foreign shares and domestic shares shall be completed in one time respectively. Under special conditions, subject to the approval of the China Securities Regulatory Commission, the Company may complete the share issue in several stages.

(mandatory 18)

Article 20 The Company’s registered capital after the completion of the issue of overseas listed foreign shares is RMB 473,213,000 Yuan. The Company shall register its registered capital in the industrial and commercial administrative department and send the document to the department in charge of company examination and approval authorized by the State Council and the institution in charge of securities administration in the State Council for record keeping.

(mandatory 19)

Article 21 As for the operation and development requirements, the Company may increase its capital in accordance with the related articles in the Company’s Articles of Association.

The Company may increase its capital by the following means:

- (1) Issuing new shares to non-designated investors;
- (2) Placing new shares to existing shareholders;
- (3) Issuing new shares to existing shareholders, and;
- (4) Adopting other means permitted by laws and administrative regulations.

When issuing new shares to increase capital, the Company shall adhere to the procedures of relevant State laws and administrative regulations, after obtaining internal approval in accordance with the Company’s Articles of Association.

(mandatory 20)

Article 22 Subject to the laws and administrative regulations, the Company’s shares may be freely transferred, without any right of lien.

(mandatory 21)

Article 23 Under the premises of adherence to the Company’s Articles of Association and other appropriate regulations, the names of the transferees, after completing the transfer of shares, shall become the holders of such shares and shall be registered in the register of shareholders.

Article 24 All the issue or transfer of overseas listed foreign shares shall be registered and maintained according to Article 41 in the register of overseas listed foreign shares shareholders of the listing stock exchange.

Article 25 Any shareholder of overseas listed foreign shares may use a written transfer form, generally in use in any listing stock exchange, or any form accepted by the board of directors, or the standard transfer form designated by the listing stock exchange where the Company's shares are listed, to transfer all or part of his shares. The transfer form shall be signed or stamped by the transferor and transferee.

All transfer forms shall be filed at the Company's registered address, or the address designated by the board of directors from time to time.

Article 26 At any time when the Company's overseas listed foreign shares are listed in the Hong Kong Exchanges and Clearing Limited (Hong Kong Exchange), the Company shall ensure that all ownership documents of the shares listed in the Hong Kong Exchange (including overseas listed foreign shares) contain the following statements:

(1) Share purchasers together with the Company and every shareholder of the Company, and the Company together with every shareholder agree to abide by and follow the rules and regulations of the "Company Law" and other relevant laws, administrative regulations and the Articles of Association.

(2) In case of disputes and claims arising from the Articles of Association, or disputes and claims of right relating to the Company's affairs arising from the rights and obligations as stipulated in the "Company Law" and other relevant laws and administrative regulations of the State, Share purchasers together with every shareholder, director, supervisor, general manager, assistant general manager and senior management personnel of the Company, as well as the company representing the Company, every director, supervisor, general manager, assistant general manager and senior management personnel together with every

shareholder, shall agree to submit to arbitration for settlement in accordance with the rules and regulations of the Company's Articles of Association. Any submission shall be regarded as that the arbitration court is authorised to carry out and to announce the arbitration award and that such arbitration award is final.

(3) Share purchasers together with the Company and every shareholder agree that the Company's shares may be transferred freely by the holders.

(4) Share purchasers authorise the Company to enter into contracts with every director and senior management personnel. Such directors and senior management personnel promise to abide by and execute their duties as obligated to the shareholders in the Articles of Association.

The Company shall direct and ensure its share registrar office to refuse the registration of any sale, purchase or transfer of any individual holders, unless and until such individual holders submit to the share registrar office the relevant transfer forms, duly signed and executed. Such forms shall include the above statements.

Article 27 The Company's overseas listed foreign shares may be traded in the Hong Kong Stock Exchange Limited.

Chapter 4 Capital Reduction and Share Share Repurchase

Article 28 The Company may reduce its registered capital according to the rules and regulations of the Articles of Association.
(mandatory 22)

Article 29 When reducing its registered capital, the Company shall prepare the balance sheet and the inventory of assets.

Within ten (10) days from passing the resolution on the reduction of registered capital, the Company shall notify its creditors, and shall publish announcements at least three times in the newspapers within thirty (30) days. Creditors have the right to request the Company to

repay its debts or provide guarantee for repayment within thirty (30) days from receiving the notice of capital reduction, or within ninety (90) days from the first announcement published for those creditors not receiving such a notice.

The amount of the Company's registered capital after reduction shall not be lower than the minimum of the legal requirement.

(mandatory 23)

Article 30 The Company may repurchase its issued shares, after passing the procedures as stipulated in the Articles of Association and receiving the approval of the relevant supervisory authorities in the State Council, under the following conditions:

- (1) Canceling shares for the reduction of the Company's capital;
- (2) Merging with other companies which hold the Company's shares;
and
- (3) Other conditions permitted by laws and administrative regulations.

(mandatory 24)

Article 31 After receiving the approval of the relevant supervisory authorities in the State Council, the Company may repurchase its shares by one of the following methods:

- (1) Repurchasing shares from all shareholders on a pro-rata basis;
- (2) Repurchasing shares in the open market; or
- (3) Repurchasing shares by agreement outside the stock exchange.

(mandatory 25)

Article 32 The repurchase of shares by agreement outside the stock exchange shall be first approved by shareholders in the general meeting according to the rules of the Articles of Association. After getting approved by the same procedures in the shareholders' general meeting, the Company may cancel or amend the agreement reached by the method afore-mentioned, or give up any right in the contract.

The afore-mentioned agreement on the repurchase of shares includes, but not limited to, agreements on taking the responsibility to repurchase shares and receiving the right of share repurchase.

The Company may not transfer the agreement on its share repurchase or any right stipulated in the agreement.

(mandatory 26)

Article 33 After repurchasing shares in accordance with the relevant laws and regulations, the Company shall cancel such shares within the time limit set by the laws and administrative regulations, and apply to the original department in charge of such company registration to register the change in its registered capital and make an announcement on it.

The book value of the cancelled shares shall be deducted from the Company's registered capital.

(mandatory 27)

Article 34 Unless the Company is undergoing audit, the repurchase of its issued shares shall adhere to the following rules:

(1) When the share repurchase is at face value, the amount shall be deducted from the distributable retained earnings, and the earnings received by issuing new shares for the repurchase of old shares;

(2) When the purchase is in excess of face value, the amount that equals to the face value shall be deducted from the distributable retained earnings, and the earnings received by issuing new shares for the repurchase of old shares. The amount in excess of face value can be treated as follows:

i. For the shares repurchased that were issued at face value, the excess amount is to be deducted from the Company's distributable retained earnings; or

ii. For the shares repurchased that were issued in excess of face value, the excess amount is to be deducted from the Company's distributable retained earnings, and the earnings received by issuing new shares for the repurchase of old shares. However, the amount deducted from the earnings received by the issue of new shares may not exceed the excess amount received by the repurchase of old shares, or the

amount of the Company's capital provident fund during the repurchase (including the excess amount realized during the issue of new shares);

(3) The expenditure of the Company for the following purposes shall be deducted from its distributable profits:

- i. Obtaining the right to repurchase its shares;
- ii. Amending the contract of repurchase of its shares; and
- iii. Releasing its obligation from the contract of repurchase;

(4) After deducting from the registered capital the face value of the cancelled shares, according to the relevant rules, the amount used in the repurchase of shares at face value and deducted from the distributable profits shall be counted as the Company's capital provident fund.

(mandatory 28)

Chapter 5 Financial Assistance for the Purchase of Company's Shares

Article 35 The Company or its subsidiaries shall not, at any time by any means, offer any financial assistance to any person who purchases or intends to purchase the Company's shares. The purchasers referred to above include any person directly or indirectly obligate to the Company upon the purchase of the Company's shares.

The Company or its subsidiaries shall not, at any time by any means, offer financial assistance to any person who reduces or releases the above-mentioned obligation.

This article does not apply to the conditions described in Article 37.

(mandatory 29)

Article 36 The financial assistance referred to in this Chapter includes (but not limited to) the following means:

- i. Gift;
- ii. Guarantee (including the provision of an undertaking or property to secure the performance of the obligor), indemnity (but not including the indemnity arising from the Company's default), release or waive of obligation;

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- iii. Offering loan or signing a contract that requires the other party to execute its obligation first, and making amendment to such a loan, or the change of the contractual parties, and the transfer of the rights in the loan or the contracts, or
 - iv. Offering any form of financial assistance when the Company cannot repay its debts, or the Company has no net assets, or such assistance will result in a material loss in the Company's assets.

The obligations referred to in this Chapter include the obligation by the person making the contract or making arrangements thereof (notwithstanding if the contract or the arrangement can be forcibly enforced, or notwithstanding if it is a personal obligation or a joint obligation), or the obligation arising from the change of his financial condition by any means.

(mandatory 30)

Article 37 The following acts are not prohibited by Article 35:

- (1) The financial assistance offered by the Company is given in good faith in the interest of the Company. In addition, the major goal for such financial assistance is not to purchase the Company's shares, or such financial assistance is an incidental part of some larger project of the Company;
- (2) The Company distributes its assets as share dividend in accordance with the law.
- (3) Share dividend is distributed by means of shares.
- (4) The reduction of registered capital, repurchase of shares and reorganisation of shareholding structure is carried out according to the Articles of Association.
- (5) The Company provides loan for its normal business activities within the scope of its business activities (but such an action should not reduce the Company's net assets; or to the extent such net assets are reduced, such financial assistance is paid from the Company's distributable profits);
- (6) The Company offers financial assistance to employees to purchase the Company's shares (but such an action should not reduce the Company's net assets; or even if net assets are reduced, such financial assistance is paid from the Company's distributable profits).

(mandatory 31)

Chapter 6 Share Certificates and Register of Shareholders.

Article 38 The name is recorded in the Company's share certificate.

The following information shall be included in a Company's share certificate:

- (1) The name of the Company;
- (2) The incorporation date of the Company;
- (3) The class of share, its face value and the number of shares represented;
- (4) The serial number of the share certificate; and
- (5) Other information required by the stock exchange where the Company's shares are listed.

(mandatory 32)

Article 39 Share certificates are signed by the chairman of board of the Company. If the listing stock exchange requires the signatures of other relevant senior management personnel, the share certificates will be signed by the required senior management personnel. Share certificates shall become effective after stamped with the Company chop authorised by the board of directors, or securities stamp by special requirement, or stamped by printed method. The stamping of the Company chop on the share certificates shall be authorised by the board of directors. The printed method may be used for the signatures of the chairman of board and other relevant senior management personnel of the Company.

(mandatory 33)

Article 40 The Company shall maintain a register of shareholders to include the following information:

- (1) The name, address, profession or job of each shareholder;
- (2) The class and number of shares held by each shareholder;
- (3) The amount paid or shall be paid for the shares held by each shareholder;
- (4) The serial numbers of share certificates held by each shareholder;
- (5) The registration date of each shareholder; and
- (6) The date on which one ceases to be a shareholder.

The register of shareholders shall be the satisfactory proof of shareholders of the company, unless proven otherwise.

(mandatory 34)

Article 41 The Company may place overseas the register of shareholders of overseas listed foreign shares according to the understanding and agreement between the institution in charge of securities administration in the State Council and overseas securities commission, and appoint overseas nominees to manage. The register of shareholders of overseas listed foreign shares listing in Hong Kong is located in Hong Kong.

The copy of the register of shareholders of overseas listed foreign shares shall be located at the Company's registered office. The overseas nominees are obligated to ensure the information in the original and copy of the register is identical.

If discrepancies arise between the original and the copy, the original shall prevail.

(mandatory 35)

Article 42 The Company shall maintain a complete register of shareholders.

The register of shareholders shall include the followings:

- (1) The register of shareholders, kept at the Company's registered office, except according to sections 2 and 3 of this article;
- (2) The register of shareholders of overseas listed foreign shares kept in the overseas stock exchange where the Company's foreign shares are listed;
- (3) The register kept at other places when the board of directors deems it necessary for the listing of the Company's shares.

(mandatory 36)

Article 43 Various parts of the register of shareholders shall not be duplicate. When a part of the shares in the register is being transferred, such shares shall not be registered in other parts of the register during the transfer period.

The amendment and correction of various parts of the register shall be undertaken according to the laws of the place where the register of shareholders is kept.

(mandatory 37)

Article 44 All fully paid overseas listed foreign shares listed in Hong Kong may be freely transferred according to the Articles of Association. However, unless the following requirements are met, the board of directors may refuse the recognition of any transfer document without any need to provide any explanation:

- (1) HK\$2.50 transfer fee is paid to the Company, or a higher fee agreed by the Hong Kong Stock Exchange, for the registration of the transfer of shares and other documents relating to or affecting ownership;
- (2) The transfer document only concerns overseas listed foreign shares listed in Hong Kong;
- (3) The stamp duty on the transfer document is fully paid;
- (4) The proof of transferor having the right to transfer the relevant shares and the proof for the reasonable requirement of the board of directors shall be provided;
- (5) If the shares are intended to be transferred to joint shareholders, the number of joint shareholders shall not exceed four; and
- (6) There is no lien on the shares being transferred.

No shares can be transferred to minors or mentally incompetent or other legally incapable persons.

Article 45 Within thirty (30) days of the convening of the shareholders' general meeting, or five (5) days prior to the book close closing date for distribution of dividends, no registration is permitted in the register of shareholders for any change to the register as a result of share transfer.

(mandatory 38)

Article 46 The board of directors shall fix a date for the confirmation of share ownership, when the company convenes the shareholders' general meeting, distributes dividends, conducts audit, or carries out other activities requiring the confirmation of share ownership. At the end

of the date of confirmation, the shareholders in the register shall be the Company's shareholders.

(mandatory 39)

Article 47 Any person who wishes to register or delete his name from the register because of his difference of opinion on the register of shareholders may apply to the court within the jurisdiction of the register for verification.

(mandatory 40)

Article 48 Any shareholder who has registered or requested to register his name on the register of shareholders loses his share certificates (the original shares), may apply to the Company for replacement by new share certificates of such shares (the relevant shares).

(mandatory 41)

Shareholders of domestic shares who lose their share certificates shall apply for replacement according to the regulations of Article 150 of the "Company Law."

Shareholders of overseas listed foreign shares who lose their share certificates shall apply for replacement according to the laws of where the register of shareholders is located, the regulations of the stock exchange or other relevant regulations.

The application for replacement of lost share certificates, by the shareholders of overseas listed foreign shares listing in Hong Kong, shall meet the following requirements:

(1) The applicant shall submit the application using the standard form designated by the Company and enclose notarial or other legal declaration documents. The contents of the notarial or other legal declaration documents shall include the reasons for the application, the circumstances leading to the loss of share certificates and proof thereof, and the declaration that no other person may request to register as shareholders for the relevant shares;

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- (2) No request has been received by the Company to register as shareholders for these shares other than the applicant before the Company decides to issue new share certificates for replacement;
 - (3) After deciding to issue new share certificates to the applicant for replacement, the Company shall place an announcement for reissuing new shares in the newspapers designated by the board of directors. The period of the announcement is ninety (90) days. The announcement shall be published again every thirty (30) days;
 - (4) Prior to publishing announcement for reissuing new shares, the Company shall submit a copy of the draft of the announcement to its listing stock exchange. After receiving a reply from the stock exchange confirming that the announcement has been posted in the stock exchange, the Company may publish the announcement. The announcement will be posted in the stock exchange for a period of ninety (90) days. If the application of reissuing share certificates has not been approved by the registered shareholder of the related shares, the Company shall send by mail a copy of the draft of the announcement to that registered shareholder;
 - (5) After the expiration of the ninety (90) day notice period for announcements in sections (3) and (4) of this article, and no disagreement is received by the Company for the replacement of lost shares from any person, the Company may reissue new share certificates based on the applicant's information;
 - (6) When the Company issues new share certificates according to the regulation of this article, it shall cancel the original shares immediately. The cancellation and the reissue shall be recorded in the register of shareholders;
 - (7) All the expenses incurred by the Company in canceling lost shares and issuing new share certificates are borne by the applicant. The Company has the right to decline to take any action before the applicant can provide reasonable surety; and
 - (8) The publication of announcement for reissuing share certificates in section 3 shall include at least one Chinese and one English newspaper in Hong Kong.

Article 49 The names of the purchasers in good faith of the above-mentioned new shares, reissued by the Company according to regulation of the Articles of Association, and all shareholders who registered as owners of these shares thereafter (when purchased in good faith), shall not be deleted from the register of shareholders.

(mandatory 42)

Article 50 The Company has no obligation to indemnify any person who suffers any loss resulting from the cancellation of original share certificates or reissue of share certificates, unless the person can prove that the Company has committed a fraudulent act.

(mandatory 43)

Chapter 7 Rights and Obligations of Shareholders

Article 51 A shareholder of the Company is the person who holds the Company's shares legally and whose name is recorded in the register of shareholders.

Shareholders' share rights and obligations are based on the class and number of shares held. Shareholders holding the same class of shares enjoy equal rights and bear the same obligations.

When two or more persons register as joint holders of any shares, they shall be considered as joint holders of the relevant shares, but subject to the following restrictions:

- (1) The Company is not obligated to record the names of more than four joint holders;
- (2) All joint holders of shares must jointly and severally be responsible for the subscription monies due for the shares.
- (3) If one of the joint holders is deceased, only the remaining joint holders shall be considered as owners of the relevant shares. However, the board of directors has the right to request the relevant and deemed appropriate proof of death certificates for the deceased shareholder to make changes in the register of shareholders.
- (4) For any shares held by joint holders, only the first holder among the joint holders in the register of shareholders has the right to collect the relevant share certificates from the Company, receive

notices from the Company, attend the shareholders' general meetings, and exercise all the voting rights of the relevant shares. Any notice to the above-mentioned person shall be considered as sufficient to all the joint holders for the relevant shares.

(mandatory 44)

Article 52 Common share shareholders have the following rights:

- (1) Receive dividend and other kinds of distribution according to the number of shares held;
- (2) Attend or appoint nominees to attend shareholders' general meetings, and exercise voting rights;
- (3) Supervise the Company's business operating activities; propose suggestions or make inquiries;
- (4) Transfer shares according to the laws, administrative regulations and the Articles of Association;
- (5) Receive the following information according to the Articles of Association, including:
 1. Receive the Articles of Association after payment of subscription monies;
 2. After payment of reasonable fees, obtain the right to inquire and photocopy:
 - i. The register of shareholders of all classes.
 - ii. Personal information of the Company's directors, supervisors, general manager and other senior management personnel, including:
 - (a) Present and past names including alias;
 - (b) Principal address (residential);
 - (c) Nationality;
 - (d) Major job position and all other part-time positions, duties; and
 - (e) Personal identity document and its number;
 3. Condition of share capital;
 4. From the previous accounting year the total face value, quantities, highest and lowest prices of every class of shares repurchased by the Company, and report of all the expenses paid by the Company therefor; and
 5. Minutes of shareholders' general meetings

-
- (6) Share in the distribution of surplus assets according to the number of shares held when the Company is being terminated or liquidated; and
 - (7) Other rights conferred by laws, administrative regulations and the Articles of Association.

(mandatory 45)

Article 53 Common share shareholders bear the following obligations:

- (1) Abide by the Articles of Association;
- (2) Pay subscription money for the shares of a particular class subscribed; and
- (3) Other necessary obligations imposed by laws, administrative regulations and the Articles of Association.

Apart from the conditions agreed by the share purchasers at the time of purchase, shareholders do not bear any obligation regarding the share capital imposed afterwards.

(mandatory 46)

Article 54 Other than the obligations imposed by laws, administrative regulations and listing rules of the listing stock exchange, the controlling shareholder (according to the definitions in the following sections) when exercising his voting rights accorded to him as by his shareholding, may not make any of the following decisions detrimental to the interests of all or part of shareholders:

- (1) Release the obligation of a director or supervisor from acting honestly in the best interest of the Company;
- (2) Authorize a director or supervisor (for his own or other persons' interest) to appropriate company assets by any means, including (but not limited to) any profitable opportunity; or

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- (3) Authorize a director or supervisor (for his own or other persons' interest) to abrogate the personal rights and interests of other shareholders, including (but not limited to) any distribution right, voting right but not including company restructuring passed by resolution of the shareholders' general meeting in accordance with the Articles of Association.

(mandatory 47)

Article 55 The controlling shareholder referred to in the previous Article possesses one of the following conditions:

- (1) That person acting alone or with others in concert can elect more than half of the directors;
- (2) That person acting alone or with others in concert can exercise thirty percent (30%) or above (containing thirty percent (30%)) of the voting rights, or can control thirty percent (30%) or above (containing thirty percent (30%)) of the Company's voting rights.
- (3) That person acting alone or with others in concert holds thirty percent (30%) or above of the Company's issued shares (containing thirty percent (30%)); or
- (4) That person acting alone or with others in concert controls the Company in fact by other means.

(mandatory 48)

Chapter 8 Shareholders' General Meetings

Article 56 The shareholders' general meeting is the organ of authority of the Company, which exercises its powers in accordance with the "Company law".

(mandatory 49)

Article 57 The shareholders' general meeting exercises the following powers:

- (1) To decide on the Company's operating policies and investment plans;
- (2) To elect or remove directors, and decide on matters relating to the remuneration of directors;

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- (3) To elect or remove supervisors who are representatives of shareholders and decide on matters relating to the remuneration of supervisors;
 - (4) To examine and approve reports of the board of directors;
 - (5) To examine and approve reports of the supervisory committee;
 - (6) To examine and approve the Company's proposed annual financial budget and final accounts;
 - (7) To examine and approve the Company's proposals for profit distribution and for recovery of losses;
 - (8) To decide on any increase or reduction in the Company's registered capital;
 - (9) To decide on merger, division, dissolution or liquidation and other matters of the Company;
 - (10) To decide on the issue of bonds by the Company;
 - (11) To decide on the appointment, dismissal or discontinued appointment of auditors;
 - (12) To amend the Articles of Association of the Company;
 - (13) To examine any proposals put forward by shareholders holding five percent (5%) (containing (5%)) or above of the voting rights; and
 - (14) To decide on any other matters to be decided by the shareholders' general meeting according to the laws, administrative regulations and the Articles of Association.

(mandatory 50)

Article 58 Unless approved by the shareholders' general meeting, the Company may not sign contract with any person other than the Company's directors, supervisors, general manager and other senior management personnel, that gives that person the responsibility of managing all or major part of the Company's business.

(mandatory 51)

Article 59 Shareholders' general meetings can be classified into annual general meetings and extraordinary general meetings. Shareholders' general meetings are convened by the board of directors. Annual general meetings are held once a year and shall be held within six (6) months after the end of the previous financial year.

Extraordinary shareholders' general meetings are required to be held within two months after the occurrence of any of the following events:

- (1) The number of directors is less than the number provided for in the "Company Law" or less than two thirds (2/3) of the number specified in the Company's Articles of Association;
- (2) The aggregate losses of the Company which are not made up reach one third of the Company's total share capital;
- (3) A request in writing by shareholders holding ten percent (10%) (containing ten percent (10%)) or more of the Company's voting rights; or
- (4) When deemed necessary by the board of directors or requested by the supervisory committee.

(mandatory 52)

Article 60 A written notice of the shareholders' general meeting, stating the matters to be considered at the meeting and the venue and date of the meeting, shall be given to all shareholders in the register forty-five (45) days before the meeting convened by the Company. Shareholders wishing to attend are required to give to the Company their written replies of attendance twenty (20) days prior to the meeting.

(mandatory 53)

Article 61 When the Company convenes the annual general meeting, shareholders holding five percent (5%) or more of the Company's total shares with voting rights are entitled to propose in writing to the Company any new resolutions to be considered at that meeting, which if within the powers of the shareholders' general meeting, are required to be added to the agenda of that meeting.

(mandatory 54)

Article 62 Based on the written replies received twenty (20) days prior to the meeting, the Company can calculate the number of shares with voting rights represented by the shareholders attending the meeting. If the

number of shares with voting rights represented by the attending shareholders reach half (1/2) or above of the total number of shares with voting rights of the Company, the shareholders' general meeting can be convened. If not, the Company shall within five (5) days from the last day for receipt of the replies notify the shareholders again by public announcement the matters to be considered, and the date and place of the meeting. The Company may then convene the shareholders' general meeting.

An extraordinary general meeting may not announce any items not included in the agenda.

(mandatory 55)

Article 63 A notice of the shareholders' meeting shall meet the following requirements:

- (1) In written form;
- (2) Specify the date, venue and time of the meeting;
- (3) State the matters to be considered;
- (4) Provide sufficient information and explanation to shareholders for matters to be considered to enable them to make informed decisions. This principle includes (but not limited to) providing the relevant transaction conditions and contracts (if applicable) of the agreements when the Company proposes merger, repurchase of shares, restructuring of share capital or other restructuring, and providing serious explanation of the causes and consequences;
- (5) When any director, supervisor, general manager or other senior management personnel has great conflict of interest with the matters to be discussed in the meeting, he shall disclose the nature and seriousness of the conflict of interest. If the matters to be considered shall affect that director, supervisor, general manager or other senior management personnel as shareholder differently from other classes of shareholders, explanation is necessary for clarifying the differences;
- (6) Contain the entire text of any special resolution to be considered and passed at the shareholders' general meeting;
- (7) Explain in clear wording that shareholders with the rights to attend and vote in the shareholders' general meeting have the right to appoint one or more than one proxies to attend and vote. Such a proxy needs not be a shareholder;

(8) State the time and place for delivery of the proxy appointment letter.

(mandatory 56)

Article 64 Notices of shareholders' general meetings shall be delivered by special delivery or by postal mail (whether or not the shareholders have the voting rights in the meetings). Notices shall be mailed according to the addresses in the register of shareholders. For shareholders of domestic shares, notices of shareholders' general meetings can also be made by public announcement.

The announcement mentioned above shall be made within forty-five (45) to fifty (50) days prior to the date of the shareholders' general meeting, published in one or several of the national newspapers designated by the institution in charge of securities administration in the State Council. After the announcement, shareholders of domestic shares are deemed to have received the notice of the shareholders' general meeting. If possible, the Chinese and English versions of such announcements shall be published in one of the major Chinese newspapers and one of the English newspapers in Hong Kong on the same date.

(mandatory 57)

Article 65 The shareholders' general meeting and the resolutions passed in the meeting will not be ineffective because certain persons who possess the right to be notified did not receive the notice due to accidental omission, or certain persons did not receive the notice at all.

(mandatory 58)

Article 66 Any shareholder, who has the rights to attend and vote in the shareholders' general meeting, has the right to appoint one or several persons (such persons need not be shareholders) as his proxy/ies to attend and vote. The shareholder's proxy may exercise the following rights as the proxy of shareholder:

- (1) To speak in the shareholders' general meeting on behalf of the shareholder;
- (2) To request the casting of ballots by himself or jointly with others;and
- (3) To vote by show of hands or by ballot; however, if the appointed

representative exceeds one person, the shareholder's representative can only exercise the voting rights by casting ballots.

(mandatory 59)

If the shareholder is a designated clearing house according to Hong Kong Law Chapter 420 of the Securities and Futures (Clearing House) Ordinance, it may appoint any person (one or more than one) deemed appropriate to be its proxy in any shareholders' general meeting, or any kinds of general meeting. However, for one or more persons so appointed, the appointment letter shall state the number of shares and classes of shares represented by the proxy. The person so appointed has the right to represent the clearing house (or its proxy) to exercise its rights as if the clearing house is an individual shareholder of the Company.

Article 67 A shareholder shall appoint his proxy in writing, to be signed by the appointer or by the proxy appointed in writing. If the appointer is a legal person, the appointment letter should be stamped with the company's legal stamp, or signed by the proxy appointed by the directors or officially. The written form shall state the number of shares the proxy represents.

(mandatory 60)

Article 68 The appointment letter for appointing voting proxy shall be delivered at least twenty-four (24) hours before the convening of the relevant meeting, or twenty-four (24) hours before the designated time for voting, to the Company's legal address or another place designated by the notice of the shareholders' general meeting. For appointment letters signed by persons appointed by the member, the appointment letter authorizing the signature and other appointment documents shall be notarized. The notarized appointment letter and other appointment documents shall be delivered together with the appointment letter for appointing voting proxy to the company's legal address or another place designated by the notice of the shareholders' general meeting. If the member is a legal person, its legal representative or board of directors, or person appointed and delegated by other decision authority shall represent the member as proxy to attend shareholders' general meetings. For the purposes of the Articles of Association, the proxy attending the meeting and the actions taken by the proxy in the meeting shall be considered as the member attending the meeting (as appropriate) and taking such actions personally.

(mandatory 61)

Article 69 Any proxy form distributed by the board of directors to shareholders to appoint proxy shall provide members the freedom to instruct the proxy to vote for or against in the shareholders' general meeting, and give instruction for voting for each of the items on the agenda. The proxy form shall state clearly that if the member does not give instruction, the proxy can vote according to his wishes.

(mandatory 62)

Article 70 In the event the member is deceased, loses his functions, withdraws the appointment, withdraws the authority for appointment or has transferred his shares before voting, the voting by the proxy appointed by the member is still valid, if the company does not receive a written notice of such events prior to the meeting.

(mandatory 63)

Article 71 Resolutions of the shareholders' general meeting shall be classified into ordinary resolutions and special resolutions.

An ordinary resolution shall be passed by more than one half (1/2) of the votes represented by shareholders (including proxies) attending the meeting in favour of the resolution.

A special resolution may be passed by more than two thirds (2/3) of the votes represented by the shareholders (including proxies) attending the meeting in favour of the resolution.

(mandatory 64)

Article 72 When shareholders (including proxies) vote in shareholders' general meetings by exercising their voting rights in accordance with the number of shares held, they have one vote for each share held.

Where any shareholder is, pursuant to the Rules Governing the Listing of Securities of the Stock Exchange of Hong Kong Limited (hereinafter referred to as the "**Listing Rules**"), required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(mandatory 65)

Article 73 Voting in the meeting is by show of hands unless specifically required under the Listing Rules to be by poll or demanded by any of the following persons requesting a poll before or after voting by show of hands.

- (1) Chairman of the meeting;
- (2) At least two shareholders (proxies) with voting rights; or
- (3) Any one or more shareholders (including proxies) in the meeting holding alone or in aggregate ten percent (10%) or more (containing ten percent (10%)) of voting shares.

Unless a poll is demanded, a declaration by the chairman as to the passing of the resolution based on the results of a show of hands and an entry to that effect in the minutes of the Company, shall be conclusive evidence of that fact without proof of the number or proportion of the votes recorded in favour of or against such a resolution.

The request for a poll can be withdrawn by the person making the request.

(mandatory 66)

Article 74 If the request for a poll is to elect the chairman or to end the meeting, then a poll shall be conducted immediately. For other matters where a poll is requested, the chairman shall decide to conduct a poll at any time before the end of the meeting. The meeting may continue to consider other matters. The results of the polls shall be considered resolution approved in the meeting.

(mandatory 67)

Article 75 In casting votes, shareholders (including proxies) holding two or more voting shares do not have to cast the votes all for or all against the resolution.

(mandatory 68)

Article 76 In the case of equality of votes, whether by a show of hand or poll, the chairman of the meeting shall be entitled to one extra vote.

(mandatory 69)

Article 77 The following matters shall be approved by ordinary resolution in the shareholders' general meeting:

- (1) Report of the board of directors and the supervisory committee;
- (2) Proposals for profit distribution and for recovery of losses prepared by the board of directors;
- (3) Termination of, and remuneration and payment of remuneration for members of the board of directors and the supervisory committee;
- (4) The Company's proposed annual financial budget, final accounts, balance sheet, profit and loss report and other financial reports;
- (5) Matters other than those to be passed by special resolution

according to the laws, administrative regulations and the Articles of Association.

(mandatory 70)

Article 78 The following matters shall be approved by special resolution in the shareholders' general meeting:

- (1) To increase, or decrease the Company's share capital, issue any class of shares, warrants or other similar securities instruments;
- (2) To issue company bonds;
- (3) To decide on division, merger, dissolution or liquidation of the Company;
- (4) To amend the Company's Articles of Association;
- (5) Matters of material importance to the Company which the shareholders' general meeting has decided, by ordinary resolution, should be approved by special resolution; and
- (6) Any other matters as required under the Listing Rules.

(mandatory 71)

Article 79 Shareholders seeking to convene an extraordinary or class shareholders' meeting shall follow the following procedures:

- (1) Two or more shareholders holding ten percent (10%) or more of voting shares in the proposed meeting may sign one or several written requests with similar content and format to request the board of directors to convene an extraordinary general meeting or class shareholders' meeting and list the resolutions to be considered. After receipt of such written request, the board of directors shall convene the extraordinary general meeting or class shareholders' meeting as soon as possible. The amount of shareholding is calculated on the date of the shareholders making the written request.

If the board of directors does not issue a notice for convening a meeting after thirty (30) days of receipt of the above written request, the shareholders making the request may convene a meeting by themselves within four (4) months after the board's receipt of the notice. The procedures of convening the meeting shall closely follow that of the general meeting convened by the board of directors.

The reasonable expenses incurred by the shareholders who convene the meeting by themselves as a result of the board of directors' failure to do so shall be borne by the Company, and to be deducted from the money due to the negligent director.

(mandatory 72)

Article 80 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. When the chairman cannot or fails to perform such duty, the vice chairman shall take the chair to preside as chairman of such meetings. When the vice chairman cannot or fails to perform such duty, a director elected by more than half of the directors shall take the chair to preside as chairman of such meetings. If no director is elected to preside over the meeting and play the role of chairman of the meeting by more than half of the directors, the shareholders attending the meeting may elect one of them to act as chairman. If, for any reason, the shareholders cannot elect a chairman, the shareholder (including proxy) attending the meeting with the highest number of voting shares shall be the chairman.

In the event that the board of directors cannot or fails to perform the duty for convening a general meeting, the board of supervisors shall act timely to convene and chair the meeting. In the event that the board of supervisors cannot convene and chair the meeting, shareholders separately or jointly holding 10% or more of the shares of the Company for a consecutive period of ninety (90) days or above may convene and chair the meeting themselves.

(mandatory 73)

Article 81 The chairman of the meeting shall announce whether the resolutions are approved or not. The result shall be announced in the meeting and recorded in the minutes of the meeting.

(mandatory 74)

Article 82 If the chairman of the meeting has any doubt about the voting result of a resolution, he may request a vote count. If the chairman of the meeting has not carried out any vote count and the shareholders or their proxies disagree with the result announced by the chairman, they have the right to request a vote count immediately after the announcement. The chairman shall immediately carry out the vote count as per request.

(mandatory 75)

Article 83 If vote counting is carried out at the meeting, the result shall be recorded in the minutes of the meeting.

The minutes of the meeting, together with the sign-in book of attending shareholders and proxy forms shall be kept at the Company's legal address.

(mandatory 76)

Article 84 Shareholders may inspect the copies of the minutes of the meetings during office hours free of charge. Upon request by shareholders, the Company shall deliver copies of the minutes of the meetings within seven days after receipt of reasonable fees from the shareholders.

(mandatory 77)

Chapter 9 Special Procedures for Resolution on Class Shareholders

Article 85 Members holding different classes of shares are class shareholders.

Class shareholders enjoy rights and share obligations in accordance with the laws, administrative regulations, and the Company's Articles of Association.

(mandatory 78)

Article 86 The Company, wishing to alter or cancel the rights of class shareholders, shall proceed only by special resolution in the shareholders' general meeting and by convening a separate meeting of affected class shareholders according to Articles 88 to 92.

(mandatory 79)

Article 87 The following conditions are deemed to alter or eliminate the rights of shareholders of a particular class :

- (1) To increase or reduce the number of shares of that class; or to increase or reduce the number of shares of another class that enjoys the same or more voting right, distribution right and other privileges as that class;
- (2) To exchange part or all of shares of that class into another class, or change part or all of shares of the other class into that class or authorize such a conversion;
- (3) To remove or reduce the accumulated dividend or the right to the accumulated dividend for that class;
- (4) To reduce or cancel the priority enjoyed by that class to dividend, or the right to priority distribution at the Company's liquidation.
- (5) To increase, remove or reduce the rights of exchange, selection, voting, transfer and preferred subscription, and the rights of receiving the Company's securities, enjoyed by that class.
- (6) To remove or reduce the right to receive the Company's accounts receivable for designated currency enjoyed by that class.
- (7) To create a new class of shares enjoying the same or more rights of voting, distribution and other privileges as that class.
- (8) To restrict or increase restriction on the transfer and ownership of that class.
- (9) To issue option or conversion rights to that class or other classes.
- (10) To increase the rights and privileges of shares of other classes.
- (11) The restructuring of the Company results in different classes bearing responsibilities disproportionately.
- (12) To amend or remove the rules set by this Chapter

(mandatory 80)

Article 88 Affected class shareholders, whether they have voting rights in the shareholders' general meeting originally or not, shall have voting rights in class meetings in matters concerning Article 87 sections 2 to 8, and 11 to 12. However, shareholders with conflict of interest shall have no voting right in class meetings.

The meaning of shareholder with conflict of interest in this article is as follows:

- (1) “Shareholder with conflict of interest” is referred to the controlling shareholder as defined in Article 55 of the Articles of Association, when the Company issues repurchase offer for shares to all shareholders on pro rata basis according to Article 31 of the Articles of Association, or repurchase its shares in the open market approved by the stock exchange.
- (2) “Shareholder with conflict of interest” is referred to the shareholder who is a party in the negotiation to repurchase shares outside the stock exchange according to Article 31 of the Articles of Association.
- (3) In the Company’s restructuring, “shareholder with conflict of interest” is the one who bears a proportionately lower level of obligation compared with other class shareholders, or enjoying different rights from other shareholders in the same class.

(mandatory 81)

Article 89 To be effective, resolutions of a class shareholders’ meeting shall be approved by two thirds or more of the class shareholders with voting power present at the meeting according to Article 88.

(mandatory 82)

Article 90 When convening a class shareholders’ meeting, a written notice, containing agenda, date and venue of the meeting, shall be given to all class shareholders in the register of shareholders forty-five (45) days prior to the meeting. Shareholders wishing to attend the meeting shall return to the Company a written reply to confirm their attendance twenty (20) days prior to the meeting.

When the voting rights represented by shareholders attending the meeting reach half or more of the total, the Company may convene the class shareholders' meeting. If not, the Company shall within five (5) days notify its shareholders the agenda, date and place by means of announcement. After such announcement, the Company may convene the class shareholders' meeting.

(mandatory 83)

Article 91 The notices of class shareholders' meetings are required to be delivered only to shareholders with voting rights in the meetings. Class shareholders' meetings shall be conducted with procedures closely similar to that of the shareholders' general meetings as far as possible. Articles in the Articles of Association regarding the procedures of convening shareholders' general meetings are applicable to class shareholders' meetings.

(mandatory 84)

Article 92 Other than the shareholders of other classes of shares, shareholders of domestic shares and overseas listed foreign shares are considered as shareholders of different classes of shares.

Special procedures for resolutions by class shareholders are not applicable to the circumstances below:

- (1) Approved by special resolution in the shareholders' general meeting, the Company may, once within twelve (12) months, issue singly or jointly domestic shares and overseas listed foreign shares, provided that both the amount of domestic and overseas listed foreign shares proposed to issue will not exceed twenty percent (20%) of its issued shares respectively; and
- (2) The issue of domestic and overseas listed foreign shares had been completed within fifteen (15) months after receiving the approval of the China Securities Regulatory Commission when the Company was first established.

(mandatory 85)

Chapter 10 Board of Directors

Article 93 The Company shall have a board of directors consisting of eleven directors, including one chairman and one vice chairman.
The board should have over half(including half) outside directors (the directors which are not working in the company),and over one-third Independent non-executive directors(the directors which are independent to the shareholders and not working in the company).
(mandatory 86)

Article 94 Directors are elected in shareholders' general meetings. The term of service is three years. After completion of a term, a director can stand for re-election.

Any notice of intention to propose a person for election as a director and any notice by such person of his willingness to be elected shall be given no earlier than the day after the despatch of the notice of the meeting appointed for such shareholders' meeting and no later than seven (7) days prior to the date of such meeting.

Chairman and vice chairman are elected and dismissed by more than half of all of the directors. The term of service is three years. They can stand for re-election after their term is completed.

The shareholders' general meeting, in accordance with the premises of adhering to the relevant laws and administrative regulations, may dismiss any director whose term is not completed by ordinary resolution (any request for contract indemnity is not affected.)

Directors may tender resignation prior to the expiry of term of office. Directors shall tender a written resignation to the board of directors.

If the quorum of the board of the directors falls below the required number as a result of the resignation of a director, the former director shall perform the duties as a director in accordance with the laws, administrative regulations, department rules and the Articles of Association prior to the engagement of a new director.

Save as provided above, resignation of a director shall take effect upon the submission of a written resignation to the board of directors.

Directors need not hold any shares of the Company.

The chairman, vice chairman and the directors may hold the positions of general manager, deputy general manager and other senior management positions (except supervisors) at the same time.

(mandatory 87)

Article 95 The board of directors is responsible to the shareholders' general meeting and exercise the following powers:

- (1) to convene the shareholders' general meeting and report on its work to the meeting;
- (2) to implement the resolutions of the shareholders' general meeting;
- (3) to decide on the Company's business and investment plans;
- (4) to formulate the Company's proposed annual financial budget and final accounts;
- (5) to formulate the Company's proposals for distribution of profits and recovery of losses;
- (6) to formulate proposals for the increase or reduction of the Company's registered capital and the issue of corporate bonds;
- (7) to prepare plans for the merger, division or dissolution of the Company ;
- (8) to decide on the Company's internal management structure;
- (9) to appoint or dismiss the Company's general manager, and based on the general manager's recommendation, to appoint or dismiss deputy general manager and other senior management personnel (including chief financial officer), and to decide on their remuneration;
- (10) to formulate the Company's basic management system;
- (11) to formulate the plan to amend the Articles of Association;
- (12) to prepare the Company's plans for major acquisition or sale;
- (13) and
- (14) other powers conferred by the Articles of Association and the shareholders' general meeting.

Other than sections 6, 7 and 11 in this article, which must be approved by more than two thirds of the directors, other sections

above may be approved by more than half of the directors.
(mandatory 88)

Article 96 When handling fixed assets, if the total sum of the expected value of the assets together with the value obtained from the assets handled within four (4) months before the proposal exceeds the value of fixed assets in the balance sheet examined by the shareholders' general meeting by more than thirty-three percent (33%), the board of directors may not, without receiving approval from the shareholders' general meeting, handle or agree to handle such fixed assets.

The handling of fixed assets in this section includes the action to transfer some rights and interests of assets, but excluding the action to provide guarantee by the fixed assets.

The effectiveness of the Company's handling of fixed assets shall not be affected due to contravention with the first section of this article.
(mandatory 89)

Article 97 The chairman may exercise the following powers:

- (1) to preside over shareholders' general meetings and convene and preside over meetings of the board of directors;
- (2) to check on the implementation of the resolutions of the board of directors;
- (3) to sign the Company's securities; and
- (4) to exercise other powers authorised by the board of directors.

If the chairman is unable to perform his duties, he may appoint the vice chairman to act on his behalf.
(mandatory 90)

Article 98 The board of directors shall meet at least twice a year. The chairman convenes the meeting and shall notify all directors at least fifteen (15) days before the meeting. An extraordinary meeting of the board of directors may be convened for the consideration of emergency matters which are brought forward by two directors or one-third (1/3) or more of the directors or the general manager.
(mandatory 91)

Article 99 Notices for the convening of meeting or extraordinary meeting of the board of directors can be delivered by the following methods:

- (1) If the venue and time of the regular meeting of the board of directors have been fixed by the board, then no notice is required to be sent;
- (2) If the board has not fixed the time and venue for the meeting, the chairman shall instruct the secretary for the board to serve notice of the time and venue of the board meeting by cable, telegraph, fax, special delivery or registered mail or by person to all directors and supervisors at least ten (10) days and at most fourteen (14) days prior to the meeting;
- (3) If a board meeting is required to consider urgent matters, the chairman shall instruct the secretary for the board to serve notice of the time, venue and form of the extraordinary board meeting by cable, telegraph, fax, special delivery or registered mail or by person to all directors and supervisors at least two (2) days and at most ten (10) days prior to the meeting;
- (4) Notices including agenda of the meeting shall be in Chinese, and in English additionally if necessary. Any director may decide to give up the right to receive notice of the meeting of the board;
- (5) A director, who attends to the meeting and has not shown disagreement on receiving notice of the meeting before attending the meeting or at the time of arriving, is deemed to have received notice.
- (6) The meeting and extraordinary meeting of the board of directors may be conducted by telephone conference or with the assistance of other similar communication facilities. If all the directors present can hear clearly the conversation from other directors through the above-mentioned media, all the participating directors are deemed to have attended the meeting in person.
- (7) The board of directors may accept a written resolution to replace a meeting of the board. However, the draft of such a resolution must be delivered by hand, mail, telegraph or fax to every director. If the board has sent the resolution to all the directors, and the number of directors who sign and agree to the resolution reaches the quorum and return the signed document to the secretary of the board by the above methods, such a resolution then becomes a

resolution of the board, without having to convene a board meeting. However, if the listing stock exchange has other rules, then the Company shall abide by the rules of the stock exchange.

- (8) Written resolution signed and agreed by all directors respectively shall be deemed with similar effect as resolutions passed by meetings of the board of directors legally convened. Such written resolution may comprise one set or more documents, with each document signed by one or more directors. A resolution signed by directors or bearing the names of the directors and sent by telegram, telex, express mail, facsimile or by hand shall for the purpose of this clause be regarded as document signed by them.

(mandatory 92)

Article 100 The quorum for the meeting of the board of directors is half or more of the directors (including proxies) present.

Each director has one vote. A board resolution must be passed by more than half of all the directors unless otherwise stipulated in this Articles of Association. In case of a tie, the chairman has an extra vote.

When a quarter (1/4) or more of the directors or two or more non-executive directors consider the provided information regarding the matters under discussion is not sufficient or the evidence is not clear, they may jointly suggest the adjournment of the meeting or the part under consideration. The board shall accept the suggestion.

When a director or any of his associates (as defined under the Rules Governing the Listing of Securities of the Stock Exchange of Hong Kong Limited (hereinafter referred to as the “**Listing Rules**”) has a connected relationship with the board resolutions, he shall not be involved and shall abstain from voting in respect of the resolution and shall not exercise any voting rights on behalf of other directors. When counting attendance for quorum, that director shall not be counted.

(mandatory 93)

Article 101 The director shall attend in person in meetings of the board of directors. If the director cannot attend a meeting, he may appoint in writing another director to be his proxy. The appointment letter shall state clearly the scope of authority.

The director who attends aboard meeting as a proxy shall exercise the powers of a director within the scope of authority. A director, who does not attend a board meeting and does not appoint any proxy, is deemed to have given up his voting right in that board meeting.

(mandatory 94)

Article 102 The board of directors shall record the resolutions passed in the meetings as minutes of the meetings. The chairman, secretary of the board and recorder attending the meetings shall sign on the minutes of the meetings. Opinions stated by independent directors shall be clearly stated in the resolutions of the board.

Directors shall bear responsibility for the resolutions passed. Participating directors, who passed resolutions that are against the laws, administrative regulations, and the Articles of Association, and whose action causes serious damages to the Company, shall be responsible for indemnity to the Company. A director can be exonerated if he can prove that he was recorded in disagreement when such resolution was passed.

(mandatory 95)

Article 103 From time to time, the board of directors may form committees or working groups of two or more directors. The board can delegate some powers, functions and discretionary power of the board to the committees or working groups. The relevant committees or working groups shall work within the scope delegated by the board, and shall abide by the rules set by the board from time to time. The board may resolve at any time to dissolve the relevant committees or working groups or alter their scope of authority.

The quorum of a committee or working group shall be more than half of the two members or all members, whichever is higher. Articles 99 to 102 of this Articles of Association regarding the rules on agenda and minutes of the board meetings are also applicable to committees and working groups, unless otherwise governed by the rules established by the board according to the above paragraph.

Unless otherwise regulated by the board, the general manager who is not a director may attend board meetings and has the right to receive notices and other materials of the meetings. However, unless the general manager is also a director, he has no right to vote in the meetings.

Chapter 11 Secretary of the Company's Board of Directors

Article 104 The Company shall have a secretary of the board of directors. He is a member of senior management of the Company.

(mandatory 96)

Article 105 The secretary to the board of directors of the Company shall be a natural person who has the requisite professional knowledge and experience, and shall be appointed by the board of directors. The primary responsibilities of the board secretary are:

- (1) to ensure that the Company has maintained complete constitution documents and records;
- (2) to ensure that the Company prepares and delivers those reports and documents required by competent authorities entitled thereto in accordance with law;
- (3) to ensure that the Company properly maintains registers of shareholders, and that persons entitled to the records and documents of the Company are furnished with such records and documents without delay; and
- (4) to perform other duties required by the laws, administrative regulations and the Articles of Association.

(mandatory 97)

Article 106 The Company's directors or other senior management personnel may hold the position of secretary of the board of directors concurrently. Auditors appointed by the board may not hold the position of secretary of the board of directors at the same time.

When a person who holds the positions of director and secretary of the board at the same time, he shall act on either behalf but not both if a particular action shall be taken by the director and the secretary of the board respectively.

(mandatory 98)

Chapter 12 General Manager of the Company

Article 107 The Company shall have one general manager, and two assistant general managers. They are to be appointed and dismissed by the board of directors. The terms of service is three years, which may be renewed.

(mandatory 99)

Article 108 The general manager of the Company is responsible to the board of directors and exercise the powers below: He is to

- (1) preside over the Company's management work in production and operation; to organize and implement board resolutions;
- (2) organize and implement the Company's annual operational plan and investment strategy;
- (3) formulate the Company's plan for installing internal management structure;
- (4) formulate the Company's basic management system;
- (5) formulate the Company's basic regulations;
- (6) offer suggestion to hire or dismiss assistant general managers and other senior management personnel (including the chief financial officer);
- (7) hire and dismiss management staff who fall outside the scope of the board's hiring and dismissal powers; and
- (8) exercise other powers conferred by the Articles of Association and the board of directors.

(mandatory 100)

Article 109 The general manger of the Company shall attend the meetings of the board of directors. The general manager who is not a director has no vote in the meetings of the board of director.

(mandatory 101)

Article 110 The general manager and assistant general managers of the Company have the obligation to carry out their duties in honesty and with diligence according to the rules of the laws, administrative regulations and the Articles of Association.

(mandatory 102)

Chapter 13 Supervisory Committee

Article 111 The Company shall have a supervisory committee. The committee supervises the board of directors and its members, general manager, assistant general managers and other senior management officers in their performance of their duties to prevent their abuse of their positions to abrogate the rights of shareholders, the Company and employees of the Company.

(mandatory 103)

Article 112 The supervisory committee is made up of three persons, with one being the chairman of the committee. The term of office is three years. A supervisor can serve a consecutive term if re-elected.

(1) The appointment and removal of the chairman is by resolution passed by two thirds or more of the supervisory committee members.

(2) The resolutions of the supervisory committee shall be approved by two thirds or more of the supervisory committee members.

(mandatory 104)

Article 113 The supervisory committee is made up of two external representatives and one employee representative. External representatives are elected and dismissed by the shareholders' general meeting. Employee representative is democratically elected and removed by the employees of the Company.

(mandatory 105)

Article 114 The directors, general manager and chief financial officer of the Company may not serve concurrently as supervisors.

(mandatory 106)

Article 115 The supervisory committee shall convene meetings at least once (1) every year. The chairman of the committee shall convene the meetings.

(mandatory 107)

Article 116 The supervisory committee is responsible to the shareholders' general meeting and exercise the following powers in accordance with the law:
It is to

- (1) review the company's finances;
- (2) supervise the directors, general manager and other senior management officers in their performance of their duties and to ascertain whether or not they have violated laws, administrative regulations or the Articles of Association
- (3) require correction of those acts of directors, general manager or other senior management officers which are harmful to the Company's interests;
- (4) examine the finance reports, operating reports, profit distribution proposals and other financial information to be presented by the board to the shareholders' general meeting; if in doubt appoint certified accountants and chartered auditors in the name of the Company and to carry out audit;
- (5) propose the convening of extraordinary shareholders' general meeting;
- (6) deal with or take legal actions against directors on behalf of the Company; and
- (7) exercise other powers conferred by the Articles of Association and the shareholders' general meeting.

Supervisors shall attend meetings of the board of directors.

(mandatory 108)

Article 117 A written notice shall be given to all supervisors at least ten (10) days but at most fifteen (15) days prior to a supervisory committee meeting. A quorum for the supervisory committee meeting is more than two thirds (including 2/3) of the supervisors attending the meeting.

(mandatory 109)

Article 118 The reasonable expenses incurred by the supervisory committee in hiring lawyers, certified accountants and chartered auditors and other professional persons in the performance of their duties shall be borne by the Company.

(mandatory 110)

Article 119 Supervisors shall honestly carry out their supervisory duties according to the laws, administrative regulations and the Articles of Association.

(mandatory 111)

Chapter 14 Qualifications and Obligations of the Company's Directors, Supervisors, General Manager and Other Senior Management Personnel

Article 120 Persons in any one of the following categories may not serve as directors, supervisors, general manager, or other senior management officers of the Company:

- (1) persons without civil capacity or with restricted civil capacity;
- (2) persons who have committed an offense of corruption, bribery, taking of property, misappropriation of property or destruction of the social economic order, and who have been sentenced to criminal punishment, where less than five (5) years have elapsed since the date of the completion of the sentence; or persons who have been deprived of their political rights due to a criminal offense, where less than five years have elapsed since the date of the completion of implementation of that deprivation;
- (3) persons who are former directors, factory managers, or managers of a company or enterprise which has become bankrupt and been liquidated due to mismanagement and who are personally liable for the bankruptcy of such a company or enterprise, where less than three (3) years have elapsed since the date of the completion of the bankruptcy and liquidation of the company or enterprise;

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- (4) persons who were legal representatives of a company or enterprise which had its business license revoked due to violation of the law and who are personally liable, where less than three (3) years have elapsed since the date of the revocation of the business license;
 - (5) persons who have a relatively large amount of debt due and outstanding;
 - (6) persons who are under investigation by the legal department due to a criminal offense, and the investigation has not yet been completed;
 - (7) persons who cannot be the leader of an enterprise under the laws and administrative regulations;
 - (8) non-natural person; or
 - (9) Persons who have been convicted by the regulatory body of breach of the relevant securities regulations, and who have involved in fraud or dishonest acts, and less than five (5) years have since elapsed since the commitment of the fraudulent or dishonest act.

(mandatory 112)

Article 121 The effectiveness of the actions of directors, general manager, and other senior management officers of the Company towards friendly third parties shall not be affected even if they fail in their duties, election or qualifications.

(mandatory 113)

Article 122 In addition to the obligations required by laws, administrative regulations and the listing rules of the listing stock exchange, the directors, supervisors, general manager, and other senior management officers of the Company in carrying out their duties have the following obligations towards each shareholder: They

- (1) may not allow the Company to conduct business beyond the scope permitted by the business license;
- (2) shall act in all integrity starting from the point of greatest interest to the Company;
- (3) may not use any means to misappropriate the Company's assets, including (but not limited to) opportunities beneficial to the Company; and

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- (4) may not abrogate the personal interests of shareholders, including (but not limited to) distribution rights, voting rights but not including the restructuring of the Company passed by the shareholders' general meeting according to the Articles of Association.

(mandatory 114)

Article 123 The directors, supervisors, general manager, and other senior management officers of the Company, in carrying out their duties or obligations, have the responsibility to act, in a way that a reasonable and cautious person would have acted, appropriately with caution, diligence and skill.

(mandatory 115)

Article 124 The directors, supervisors, general manager, and other senior management of the Company must adhere to the principle of integrity in carrying out their duties, and should not place themselves in a position where personal interests and company interests are in conflict. This principle includes (but not limited to) the following obligations:

- (1) to act in all integrity starting from the point of greatest interest to the Company;
- (2) to exercise rights within the scope of duties and not to exceed it;
- (3) to handle personally the discretionary power given to him, and not be manipulated by others; not to transfer the discretionary power to others without the consent of laws and administrative regulations or the knowledge of the shareholders' general meeting;
- (4) to treat the same class of shareholders equally and to treat different classes of shareholders fairly;
- (5) unless otherwise permitted by the Articles of Association or with the knowledge of the general shareholders' meeting, not to enter into contract, transaction or arrangement with the Company;
- (6) not to use company assets to gain personal profits by any means without the agreement and knowledge of the general shareholders' meeting;
- (7) not to use their position to accept bribes or other illegal income; not use any means to misappropriate company assets, including (but not limited to) beneficial opportunities;

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- (8) not to receive commission for dealing with the Company unless with the agreement and the knowledge of the general shareholders' meeting;
 - (9) to adhere to the Articles of Association, to carry out duties honestly, to protect the interests of the Company, and not to use their position and powers in the Company to achieve personal gains;
 - (10) without the agreement and knowledge of the general shareholders' meeting, not to compete with the Company in any way;
 - (11) not to misappropriate company funds or lend company funds to others; not to store company assets in their own personal name or use the names of others for storage; not to use company assets as guarantee for the debts of company shareholders or other personal debts; and
 - (12) without the agreement and knowledge of the general shareholders' meeting, not to disclose confidential information obtained during their tenure of service, unless the purpose is for the Company's interest and not for taking advantage of the information obtained; however, disclosure may be made to the courts or other government regulatory authority under the following conditions:
The disclosure is
 - i. required by the law;
 - ii. required by public interests; or
 - iii. required by the personal interest of that particular director, supervisor, general manager, or any other senior management officer.

(mandatory 116)

Article 125 The Directors, supervisors, general manager, and other senior management officers of the Company may not direct the following persons or organisations (called "connected persons" in this Articles of Association) to take actions that directors, supervisors, general manager, and other senior management officers of the Company are prohibited from:

- (1) spouse and minor children of the directors, supervisors, general manager, and other senior management officers of the Company;
- (2) trustees of the directors, supervisors, general manager, and other senior management officers of the Company or of the persons described in section 1 of this article;

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- (3) partners of the directors, supervisors, general manager, and other senior management officers of the Company or of persons described in sections 1 and 2 of this article;
 - (4) companies controlled in fact solely by the directors, supervisors, general manager, and other senior management officers of the Company or companies controlled in fact jointly with persons described in sections 1, 2 and 3 of this article, or other directors, supervisors, general manager, and other senior management officers of the Company;
 - (5) the directors, supervisors, general manager, and other senior management officers of those companies said to be controlled in section 4.

(mandatory 117)

Article 126 The integrity and obligation of the directors, supervisors, general manager, and other senior management officers of the Company may not end when their term of service is completed. The obligation to maintain confidential secret is still effective after the term of service. The continuation period for the obligation shall be decided on the principle of fairness, depending on the short or long duration of time between the event and termination of service, and how the relationship with the Company is terminated and under what conditions and terms.

(mandatory 118)

Article 127 The directors, supervisors, general manager, and other senior management officers of the Company may be dismissed with the knowledge of the general shareholders' meeting due to their contravention of certain responsibility from some material obligations, excepting the conditions defined in Article 54.

(mandatory 119)

Article 128 When the directors, supervisors, general manager or other senior management officers of the Company are/is directly or indirectly in an important conflict of interest with the Company's contracts, transactions, or arrangements that are signed or in the process of negotiation, whether or not the related matter must be approved by the board of directors under normal conditions, the directors, supervisors, general manager or other senior management officers shall report to the board of directors disclosing the nature and seriousness of such a conflict of interest. (Employment contracts between the Company and

its directors, supervisors, general manager and other senior management officers are excepted)

(mandatory 120)

Unless the director, supervisor, general manager, or other senior management officer of the Company involved in the conflict of interest discloses to the board of directors according to the requirement of the previous section of this article, and that person is not counted in the quorum, and the relevant matter has not been approved in the board meeting that he is participating, the board has the right to cancel the contract, transaction or arrangement; excepting the case when the counter party is a friendly client who does not know the director, supervisor, general manager or other senior management officer of the Company was in breach of his obligations.

When the connected person of the director, supervisor, general manager, or other senior management officer of the Company has a conflict of interest in certain contract, transaction or arrangement, the related director, supervisor, general manager or other senior management officer shall also be considered as having a conflict of interest.

Directors may not vote for contract, transaction or arrangement where material personal interest is involved and may not be counted in the quorum.

Article 129 If the directors, supervisors, general manager, and other senior management officers of the Company advise in writing to the board of directors before the first time such a contract, transaction or arrangement is considered, and disclose the content and the subsequent contract, transaction or arrangement reached with the Company shall involve a conflict of interest, the relevant company director, supervisor, general manager, or other senior management officer shall be considered to have made the disclosure required by the previous Article, within the scope of full disclosure.

(mandatory 121)

Article 130 The Company may not pay the taxes of the directors, supervisors, general manager, or other senior management officers of the Company by any means.

(mandatory 122)

Article 131 The Company may not provide loans or loan guarantees to the directors, supervisors, general manager, and other senior management officers of the Company or the parent company; nor to provide loans or loan guarantees to the connected persons of the above-mentioned persons.

The above regulation does not apply to the following:

- (1) the Company provides loans or loan guarantees to its subsidiaries;
- (2) the Company may provide loans, loan guarantees, or other types of funds to the directors, supervisors, general manager and other senior management officers of the Company based on the employment contract approved by the shareholders' general meeting, in order to defray expenses for company purposes or in the execution of company duties; and
- (3) if the scope of the Company's normal business activities includes the provision of loans and loan guarantees, the Company may provide loans or loan guarantees to the relevant directors, supervisors, general manager or other senior management officers and their connected persons, provided that they are made with normal commercial terms.

(mandatory 123)

Article 132 If the Company provides a loan in contravention of the regulations in the previous article, the recipient of such a loan shall repay immediately, regardless of the conditions of the loan.

(mandatory 124)

Article 133 Loan guarantees provided in contravention of Article 131 section 1 may not be enforced on the Company, except under the following conditions:

- (1) when making a loan to connected parties of directors, supervisors, general manager, or other senior management officers of the Company or the parent company, the lender is ignorant of the fact;
or
- (2) the surety provided by the Company has been sold legally by the lender to a purchaser in good faith.

(mandatory 125)

Article 134 The guarantee described in the previous articles of this Articles of Association includes actions of guarantor assuming responsibility, or offering assets to guarantee the obligor will carry out the obligation.

(mandatory 126)

Article 135 When any director, supervisor, general manager, or other senior management officer of the Company violate his duties toward the Company, in addition to the rights conferred by laws and administrative regulations and the remedial measures, the Company is entitled to take the following measures: It is to

- (1) request the relevant director, supervisor, general manager and other senior management officer to indemnify the losses resulting from his negligence;
- (2) cancel any contract, transaction or arrangement between the Company and the relevant director, supervisor, general manager or other senior management officer, or between the Company and third parties (when the third parties know or should have known the director, supervisor, general manager, or other senior management officer has contravened his obligations to the company);
- (3) request the relevant director, supervisor, general manager or other senior management officer to disgorge the profit from contravening his obligations;
- (4) recover the money from the relevant director, supervisor, general manager or other senior management officer that should have been due to the Company including (but not limited to) commission; and
- (5) request the relevant director, supervisor, general manager or other senior management officer to return the interest earned or could have earned from the sum of money which should have been submitted to the Company.

(mandatory 127)

Article 136 The Company shall, with prior approval of the general shareholders' meeting, enter into a contract in writing with a director or supervisor, wherein his emoluments are stipulated, including :

- (1) emoluments in respect of his service as a director, supervisor or senior management officer of the Company
- (2) emoluments in respect of his service as a director, supervisor or

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

Except under a contract entered into in accordance with the foregoing, no proceedings may be brought by a director or supervisor against the Company for anything due to him in respect of the above matters.

(mandatory 128)

Article 137 The contract concerning the emoluments between the Company and its directors or supervisors should provide that in the event of a takeover of the Company, the Company's directors and supervisors shall, subject to the prior approval of the shareholders in the general meeting, have the right to receive compensation or other payment in respect of his loss of office or retirement. A "takeover of the Company" referred to in this paragraph means any of the followings:

- (1) an offer made by any person to the general body of shareholders;
or
- (2) an offer made by any person with a view to the offer or becoming a "controlling shareholder" the definition of which is set out in Article 55 of this Articles of Association.

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

(mandatory 129)

Chapter 15 Financial Accounting System and Distribution of Profits

Article 138 The Company shall formulate its own financial accounting system in accordance with the relevant requirements of laws, administrative regulations and the accounting standards formulated by the financial departments of the State Council.

(mandatory 130)

Article 139 The Company shall prepare financial reports at the end of each financial year, and conduct audit according to the law.

The Company's financial reports include the following financial accounting reports and appendices:

- (1) balance sheet of assets and liabilities;
- (2) profit and loss account;
- (3) report of change in financial conditions;
- (4) footnotes to financial reports;
- (5) distribution of profit report.

The Company uses the western calendar as financial year which starts on the 1st January and ends on the 31st December every year.

(mandatory 131)

Article 140 The board of directors of the Company shall place before the shareholders at every annual general meeting such financial reports as are required by the relevant laws, administrative regulations or directives promulgated by competent local and central government authorities to be prepared by the Company.

(mandatory 132)

Article 141 The financial reports and reports of the board of directors of the Company shall be deposited at the Company for the shareholders' inspection not later than twenty (20) days before the annual general meeting. Each shareholder shall be entitled to receive the financial statements referred to in this article.

The Company shall send by prepaid mail twenty-one (21) days before the annual general meeting the above reports to each shareholder of overseas listed foreign shares. The recipients' addresses shall be in the register of shareholders.

(mandatory 133)

Article 142 The financial statements of the Company may be prepared in accordance with the PRC GAAP and regulations or the accounting standards of international or overseas jurisdictions where the Company's shares are listed.

(mandatory 134)

Article 143 The interim results or financial information announced or disclosed by the Company shall be prepared in accordance with the PRC GAAP and regulations or the accounting standards of international or overseas jurisdictions where the Company's shares are listed.

(mandatory 135)

Article 144 The Company shall issue two financial reports every accounting year, i.e. the interim financial report issued within sixty (60) days after the end of the first six months of the accounting year; and the annual financial report issued within one hundred and twenty (120) days after the end of the accounting year.

(mandatory 136)

Article 145 Other than the legally required account books, the Company shall not maintain another set of account books. The assets of the Company shall not be deposited in the account under the name of any individuals.

(mandatory 137)

Article 146 The distribution of the profits after tax of the Company shall follow the following order:

- (1) recovery of losses;
- (2) provision for legal public provident fund;
- (3) provision for legal public welfare fund;
- (4) after approval by resolution of a general meeting, provision for provident fund as desired; and
- (5) payment of ordinary share dividends.

The board of directors shall confirm the proportion of the

above-mentioned provisions of this article according to relevant regulations (if any). If no regulation exists, it is suggested to have the proportion approved by the general meeting. Before recovering for the losses, and providing legal public provident fund and public welfare fund, no distribution of share profit or any distribution by means of bonus issue is permitted.

Article 147 Capital provident fund includes the followings:

- (1) share premium received by the issue of shares above the par value of share; and
- (2) other income to be included in capital provident fund as required by financial departments of the State Council.

(mandatory 138)

Article 148 Public provident fund can be used only for the following purposes:

- (1) to recover losses;
- (2) to transfer to increase capital. The Company may, after approval by resolution of the general shareholders' meeting, transfer public provident fund into capital, and issue new shares or increase the par value of each share according to the ratio of the original shareholding. However, when legal public provident fund is transferred to increase capital, the amount remaining in the public provident fund shall not be less than twenty-five (25%) of the registered capital; and
- (3) to increase the production and operation scale of the Company.

Article 149 Unless approved by a special resolution of the general shareholders' meeting, the Company distributes share dividends once a year. After consideration by the board of directors of the Company's financial conditions and adherence to the relevant laws and regulations, shareholders may authorize the board of directors to distribute and pay interim dividends by an ordinary resolution of the general shareholders' meeting.

Article 150 The Company may separately or concurrently adopt the following methods to distribute share dividends:

- (1) cash; and
- (2) bonus shares.

(mandatory 139)

Article 151 The Company shall declare and pay share dividends and other monies to shareholders of domestic shares in Renminbi. Dividends shall be paid in Renminbi within two months of announcement. The Company shall declare and pay share dividends and other monies to shareholders of overseas listed foreign shares in Renminbi. Dividends shall be paid within two months of announcement in foreign currency. The exchange rate shall be calculated as the average closing exchange rate between Hong Kong dollars and Renminbi published by the Bank of China for the five working days before the date of announcement of dividends or the payment date.

The foreign currency required to pay dividends to shareholders of overseas listed foreign shares shall be obtained according to the rules of relevant exchange control bodies of the State.

Upon the authorization of the general shareholders' meeting, the board of directors may decide to distribute interim cash or share dividends.

Article 152 The Company shall make withholdings for income tax from the dividends of individual shareholders according to the regulations of the China tax law.

Article 153 The Company shall appoint a receiving agent on behalf of shareholders of overseas listed foreign shares. The receiving agent shall receive the dividends and other monies payable to the relevant shareholders for their overseas listed foreign shares.

The receiving agent appointed by the Company shall comply with the laws of the place of listing or the relevant requirements of the stock exchange.

The receiving agent appointed by the Company for the shareholders of the overseas listed foreign shares listed in the Hong Kong Stock Exchange shall be a registered trustee company in accordance with

Hong Kong's "Trustee Ordinance."

(mandatory 140)

Article 154 Under the premises of complying with the relevant laws and regulations of China, the Company may exercise its authority to confiscate unclaimed dividends. However, such authority may not be exercised before the expiry of the relevant litigation time limit.

The Company has the authority to end postal delivery of dividend cheques to shareholders of overseas listed foreign shares. However, such authority may be exercised only when two consecutive dividend cheques have not been cashed. However, the Company may exercise such authority when a dividend cheque cannot be delivered to the recipient at the first time and is bounced back to the Company.

Where the board of directors considers appropriate, the Company has the authority to sell shares held by shareholders of overseas listed foreign shares who cannot be contacted but it must comply with the following conditions:

- (1) There have been at least three payments of dividends during the past twelve years, and nobody collected the dividends during that period; and
- (2) At the expiration of the twelve-year period, the Company places an announcement in one or more than one newspapers in the place of listing, stating the intention to sell such shares and notify the overseas stock exchange of those shares.

Chapter 16 Appointment of Auditors

Article 155 The Company shall appoint independent auditors in accordance with the relevant regulations of the State to prepare the Company's annual financial report, and audit other financial reports of the Company.

The Company's first auditors may be appointed by the establishment meeting prior to the first shareholders' annual general meeting. The term of service of the first auditors shall end when the first shareholders' annual general meeting ends.

If the establishment meeting does not exercise the right in the previous paragraph, the board of directors shall exercise such a right.

(mandatory 141)

Article 156 The term of service of auditors shall begin with the end of the current annual general meeting of the Company and end with the end of the next annual general meeting.

(mandatory 142)

Article 157 Auditors appointed by the Company enjoy the following rights and interests: They may

- (1) inspect at any time the Company's books, records or bills; and have the right to request the directors, general manager or other senior management officers of the Company to provide relevant information and explanation; and
- (2) request the Company to take all reasonable measures, obtain from its subsidiaries all necessary information and explanation in order for the auditors to carry out their duties; and
- (3) attend general shareholders' meetings, receive notices of meeting that any shareholder can receive or other information related to the meetings; speak on matters related to affairs concerning the auditors at the general shareholders' meetings.

(mandatory 143)

Article 158 If the auditors' position is vacant, a general shareholders' meeting shall be convened as soon as possible to appoint a new auditor to fill such vacancy.

(mandatory 144)

Article 159 Regardless of how the terms of contract between the Company and the auditors are, the general shareholders' meeting may dismiss the service of auditors by ordinary resolution prior to the end of their term of service. The right of indemnity of the auditors thus dismissed shall not be affected.

(mandatory 145)

Article 160 The general shareholders' meeting shall decide on the remuneration of the auditors or the method of remuneration. The remuneration of the auditors appointed by the board shall be determined by the board.

(mandatory 146)

Article 161 The general shareholders' meeting decides whether the Company appoints, dismisses, or discontinues the servicing auditors, and reports to the institution in charge of securities administration in the State Council for filing.

(mandatory 147)

Article 162 When the general shareholders' meeting resolves to appoint non-current auditors to fill any vacancy in the auditors positions, or continue the services of auditors hired by the board to fill a vacancy, or dismiss auditors prior to the end of the term of service, it shall comply with the following regulations:

- (1) The resolution to appoint or dismiss auditors shall be delivered to the auditors to be appointed or departing, or auditors who have departed in the relevant financial year, before the notice for convening the general shareholders' meeting is sent out.

Departing means dismissed, resigned or withdrawn.

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- (2) If the resigning auditors make a written statement and request the statement to be read to the shareholders, unless the written statement is received too late, the Company shall take the following measures:
 1. Explain in the notice after making the resolution that the auditors have made a statement; and
 2. Attach a copy of the statement as appendix to the notice and send the notice to shareholders according to the Articles of Association.
 - (3) If the Company has not sent out the auditors' statement according to the rules set in section (2), the relevant auditors may request the statement be read at the general shareholders' meeting, and may make further appeal;
 - (4) The departing auditors have the right to attend the following meetings:
 1. the general shareholders' meeting when their term should have ended;
 2. the general shareholders' meeting to fill the vacancy due to their dismissal; and
 3. the general shareholders' meeting convened due to resignation on their part.

The departing auditors have the right to receive all notices for the above-mentioned meetings or any information relating to the meetings, and speak at the meetings on matters related to their being the Company's previous auditors.

Article 163 The Company shall first notify the auditors before deciding to dismiss or discontinue their services. The auditors have the right to state their opinions to the general shareholders' meeting. Auditors, who resign on their own, shall explain to the general shareholders' meeting whether there are any improprieties in the Company.

(mandatory 148)

Article 164 Auditors may resign by written notice by delivering the resignation letter to the Company's registered address. The notice shall include the following explanation:

- (1) declaration that their resignation does not involve any matters that require clarification to the Company's shareholders or creditors;

(2) any matters that require clarification.

This notice becomes effective on the delivery date to the Company's address or the date of the notice, whichever is later.

Within fourteen (14) days from receiving the above written notice, the Company shall deliver a copy of the notice to the relevant supervisory department. If the notice contains explanation described in section (2) above, the Company shall place a copy of the explanation at the Company, for inspection by shareholders. The Company shall send copies of the explanation by prepaid post to every shareholder of overseas listed foreign shares. The recipient addresses are based on the register of shareholders.

If the auditors' resignation notice contains any explanation that requires clarification, the auditors may request the board of directors to convene an extraordinary general shareholders' meeting, to hear the explanation related to their resignation.

Chapter 17 Organisation of Labour Union

Article 165 The employees of the Company have the right to organize their union and participate in union activities according to the "PRC, PRC Labour Union Law."

Article 166 The Company shall pay 2% of actual wages paid to employee to the union fund every month. The fund is for use by the company union according to the "Methods of Usage of Union Fund" of China National Union.

The Company shall administer the systems for labour management, human resources management, employee wages, welfare and social insurance, according to the relevant laws and administrative regulations of the State.

Chapter 18 Merger and Division of the Company

Article 167 The resolution for the merger or division of the Company shall be proposed by the board of directors, passed according to the procedures stipulated in the Articles of Association, and submitted for examination

and approval according to the law. Shareholders who oppose the merger or division have the right to request the Company or shareholders in favour of the merger or division to purchase their shares at fair market value. The content of the resolution for merger or division shall become a special document for inspection by shareholders.

For overseas shareholders, the above-mentioned document shall be sent by post.

(mandatory 149)

Article 168 Company merger can be achieved by two means, absorption and new entity for merger.

For company merger, the involved parties shall sign the merger agreement and prepare the balance sheets and inventory of assets. The Company shall advise creditors within ten (10) days of the merger resolution, and publish in newspaper the merger notice at least three times within thirty (30) days. The creditor may request the Company to settle the liabilities or provide the relevant guarantee within 30 days from receiving the notice or within 45 days from the announcement if the notice is not received.

After the merger, liabilities and debts of the merger parties shall be borne by the merged company or by the new company established after the merger.

(mandatory 150)

Article 169 In a division, the assets shall be split in an appropriate manner.

In a company division, the involved parties shall sign the division agreement and prepare the balance sheets and inventory of assets. The Company shall advise creditors within ten (10) days of the division resolution, and publish in newspaper the division notice at least three times within thirty (30) days.

The debts of the Company before division shall be borne by the companies established after division jointly and severally according to the agreement, save as otherwise agreed in writing between the Company and the creditor in respect of debt settlement before division.

(mandatory 151)

Article 170 When the company merges or divides, particulars of the changes shall be registered with the department in charge of company registration according to the law. When the company dissolves, the registration shall be canceled according to the law. When establishing a new company, registration shall be done according to the law.
(mandatory 152)

Chapter 19 Dissolution and Liquidation of the Company

Article 171 The Company shall be dissolved and liquidated upon the occurrence of any of the following events:

- (1) when the general shareholders' meeting resolves that the Company should be dissolved;
- (2) when dissolution is necessary as a result of the merger or division of the Company;
- (3) when the Company is declared to be insolvent according to the law because it is unable to pay its debts as they fall due;
- (4) when the business license is revoked, the Company is ordered to be closed down or revoked due to reasons of its violation of laws or administrative regulations.

(mandatory 153)

Article 172 In the event when the Company is dissolved according to section (1), a liquidation team shall be established within fifteen (15) days. Its members shall be selected by the general shareholders' meeting by an ordinary resolution.

In the event when the Company is dissolved according to section (3), the People's Court shall form a liquidation team comprising of shareholders, relevant authorities and professionals in accordance with the law to proceed with the liquidation.

In the event when the Company is dissolved according to section (4), the relevant supervisory authorities shall form a liquidation team comprising shareholders, relevant authorities and professionals to proceed with the liquidation.

(mandatory 154)

Article 173 If the board of directors decides the Company is to be liquidated (excepting company liquidation due to bankruptcy), it shall state that the board has performed a thorough audit of the Company's condition in the notice to convene the relevant general shareholders' meeting, and believes the Company may repay all debts within twelve (12) months after the beginning of the liquidation.

After passing the resolution for liquidation in the general shareholders' meeting, the duties of the board of directors will end immediately.

The liquidation team shall, abide by the directions of the general shareholders' meeting, report to the shareholders in the general shareholders' meeting at least once a year on the income and expenses of the liquidation team, the Company's business development and liquidation progress, and shall make a final report to the shareholders in the general shareholders' meeting when the liquidation is completed.
(mandatory 155)

Article 174 The liquidation team shall notify creditors within ten (10) days after its establishment, and shall publish notices in newspapers at least three (3) times within sixty (60) days. The liquidation team shall register all debts.

Creditors shall submit its claim to the liquidation team within thirty (30) days upon receipt of the written notice, or within forty-five (45) days of public notice if no written notice is received. When creditors submit their claims, they shall explain the relevant matters of the debt, and provide proof thereof. The liquidation team shall register the debts.

(mandatory 156)

Article 175 The liquidation team shall exercise the following powers during the period of liquidation: It shall

- (1) process company assets, and to prepare a balance sheet and an inventory of assets;
- (2) notify creditors by notice or by public announcement;
- (3) handle business related to the liquidation not yet completed by the Company;
- (4) pay taxes due;
- (5) process liabilities and debts;

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- (6) handle remaining assets after payment of debts; and
 - (7) initiate civil litigation on behalf of the Company
- (mandatory 157)

Article 176 After processing company assets, and preparing the balance sheet and inventory of assets, the liquidation team shall formulate a liquidation plan, and report to general shareholders' meeting or the People's Court for confirmation.

Liquidation expenses shall have priority to be deducted from company assets prior to repayment of debts to creditors.

After the Company is dissolved by resolution of the general shareholders' meeting, or declared bankrupt according to the law, or ordered closed, no person can handle company assets without the permission of the liquidation team.

If assets of the Company are sufficient to repay debts, company debts shall be repaid after payment of liquidation expenses, employee wages, labour insurance, statutory compensation and taxes.

The remaining assets after distribution in the previous paragraph shall be distributed to shareholders according to the class and proportion of their shares:

- (1) to pay par value of preferred shares; if money is not sufficient to pay all the preferred shares, the money shall be distributed on a pro rata basis;
- (2) to distribute to the ordinary shareholders on a pro rata basis.

During the processing, the company cannot conduct new business.

(mandatory 158)

Article 177 In the event the Company is liquidated due to dissolution, and after processing company assets, and preparing the balance sheet and inventory of assets, the liquidation team discovers that company assets are not sufficient to repay debts. The liquidation team shall immediately apply to the People's Court to declare the Company bankrupt.

After the Company is judged and declared bankrupt by the People's

Court, the liquidation team shall hand over the liquidation affairs to the People's Court.

(mandatory 159)

Article 178 After liquidation is completed, the liquidation team shall prepare a liquidation report, and the income and expenses report during the liquidation period. After these reports have been audited by registered Chinese accountants, the liquidation team shall report to the general shareholders' meeting and the relevant supervisory department for confirmation.

The liquidation team shall, within thirty (30) days after the general shareholders' meeting or the confirmation date by the relevant supervisory department, send the above documents to the department in charge of company registration, and apply for cancellation of company registration, in order to notify the termination of the Company.

(mandatory 160)

Chapter 20 Procedures for Amending the Articles of Association

Article 179 The Company may amend the Articles of Association in accordance with the laws, administrative regulations and the Articles of Association.

(mandatory 161)

Article 180 Amendments to the Articles of Association, if they concern the contents of "Mandatory Provisions in the Articles of Association for Companies Listing Outside China," can become effective only after approval by the department in charge of company examination and approval authorised by the State Council. Amendments concerning the registration of the Company need only be registered according to the law.

(mandatory 162)

Chapter 21 Resolution of Disputes

Article 181 The Company complies with the following rules on dispute resolution:

- (1) Any dispute or rights claim, arises from any rights or obligations provided in the Articles of Association, the “Company Law” and “Special Provisions” and other relevant laws and administrative regulations concerning the affairs of the Company, between a shareholder of overseas listed foreign shares and the Company; a shareholders of overseas listed foreign shares and a director, supervisor, general manager or other senior management officer; or a shareholder of overseas listed foreign shares and a shareholder of domestic shares shall be submitted to arbitration by the parties involved.

When the above dispute or rights claim is submitted to arbitration, it should be in its entirety. The Company, shareholders, directors, supervisors, general manager, and other senior management officers who are/is involved in a dispute for the same incident or are/is required to involve in the resolution of such dispute or rights claim, shall comply with the arbitration award.

Dispute regarding the definition of shareholders and the register of shareholders can be resolved without arbitration.

- (2) Applicant for arbitration may choose the China International Economic and Trade Arbitration Commission to apply for arbitration according to its arbitration rules, or choose the Hong Kong International Arbitration Centre to apply for arbitration according to its securities arbitration rules. After the applicant has submitted his dispute or rights claim for arbitration, the opposing party must go to the authority chosen by the applicant for arbitration.

If the applicant applies for arbitration at the Hong Kong International Arbitration Centre, then any one of the parties may apply to hold the arbitration in Shenzhen according to the rules of securities arbitration of the Hong Kong International Arbitration Centre.

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- (3) The law of the People's Republic of China is applicable to the resolution by arbitration of the disputes or claims mentioned in section (1), unless otherwise required by laws and administrative regulations.
- (4) The decision made by the arbitration authorities is final. It is binding on all parties.

(mandatory 163)

Chapter 22 Insurance

Article 182 The Company shall purchase insurance cover from China Peoples Insurance Company, or other companies registered in China or permitted by the Chinese law to provide insurance service to Chinese companies.

The board of directors, after consulting the operations of other similar companies in China as based on conventions in China and legal requirements, shall decide on the type of insurance, the amount of insurance, and their condition as well as the term of cover.

Chapter 23 Labour Management

Article 183 The Company's systems for labour management, personnel management, wages and benefits and social insurance are formulated according to the laws and administrative regulations of China.

The Company appoints different classes of management officers. For ordinary employees, the Company uses the contract system. The Company can decide by itself the deployment of staff and possesses the right to hire by itself, as well as to dismiss management officers and employees according to administrative regulations and contracts.

The Company has the right to decide on the salaries, wages and benefits of its various classes of management officers and employees, according to its own economic interest while within the scope of the relevant administrative regulations.

The Company arranges medical insurance, retirement insurance and unemployment insurance for its management officers and employees according to the relevant regulations of Central and Local authorities and complies with the laws, administrative regulations and other relevant regulations on retirement, unemployment and labour insurance and labour protection.

Chapter 24 Notice

Article 184 Unless required in the Articles of Association, all notices, information and written statements issued to shareholders of overseas listed foreign shares must be based on the registered address of every shareholder of overseas listed foreign shares, and delivered by special person or by prepaid mail.

When a notice is sent by mail, the address must be clearly written, postage paid and the notice placed inside the envelope. The letter containing the notice is deemed to be mailed when deposited in the mail box, and after forty-eight hours deemed to be received.

Chapter 25 Supplementary Provisions

Article 185 Unless otherwise required, the Company, according to regulations or having received permission to send by public notice or to deliver any notice, shall publish public notice in one of the major English newspapers in Hong Kong and in Chinese in one of the major Chinese newspapers in Hong Kong.

Article 186 The Articles of Association are written in Chinese. If any discrepancies arise between versions in different languages, the Chinese articles shall prevail.