

**ARTICLES OF ASSOCIATION OF  
YANKUANG ENERGY GROUP COMPANY LIMITED**

(As submitted to the first extraordinary general meeting for consideration and approval)

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COMPANY LIMITED**

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## CHAPTER 1 GENERAL PROVISIONS

Article 1 These Articles of Association are drawn up in accordance with the "Company Law of the People's Republic of China" (the "Company Law"), the "Securities Law of the People's Republic of China" ("Securities Law") and other relevant laws and regulations with the aims of protecting the legitimate interests of Yankuang Energy Group Company Limited (the "Company") and its shareholders and creditors, and regulating the organization and conducts of the Company.

Article 2 The Company is a joint stock limited company established in accordance with the "Company Law", "State Council's Special Regulations Regarding the Issue of Shares Overseas and the Listing of Shares Overseas by Companies Limited by Share" (the "Special Regulations") and other relevant laws and regulations of the State.

The Company was established by way of promotion with the approval of the People's Republic of China's State Commission for Restructuring the Economic System on 24 September 1997, as evidenced by approval document Ti Gai Sheng [1997] no. 154 of 1997. It is registered with and has obtained a business licence from China's State Administration Bureau of Industry and Commerce on 25 September 1997. The Company's Uniform Social Credit Code ("USCC") is: 91370000166122374N.

The promoter of the Company is: Yankuang (Group) Corporation Ltd. which was later renamed as Shandong Energy Group. The USCC of Shandong Energy is 91370000166120002R.

Article 3 The Company's registered Chinese name: 兗礦能源集團股份有限公司  
The Company's registered English name: Yankuang Energy Group Company Limited.

The Company is the Parent Company of Yankuang Energy Group Company Limited.

The Group's name: Yankuang Energy Group Company Limited.

Article 4 The Company's address: 949 South Fushan Road,  
Zoucheng,  
Shandong Province,  
China, with registered capital of  
RMB7,442,040,720.  
Telephone number: 0537-5383310  
Facsimile number: 0537-5383311  
Postal code: 273500

Article 5 The Company's legal representative is the Chairman of the board of directors of the Company.

Article 6 The Company is a joint stock limited company which has perpetual existence.

Article 7 From the date on which these Articles of Association come into effect, this

Articles of Association shall constitute a legally binding document regulating the Company's organization and activities, and the rights and obligations between the Company and each shareholder and among the shareholders, and a legally binding document for the Company, shareholders, directors, supervisors, senior management. Pursuant to the Articles of Association, shareholders may sue the shareholders, directors, supervisors, managers and other senior management of the Company, shareholders may sue the Company, and the Company may sue the shareholders, directors, supervisors, managers and other senior management.

Article 8 All assets of the Company are divided into shares of equal value. The shareholders are liable for the Company up to the amount of shares they subscribed and all the Company's assets are made liable for its debts.

Article 9 Senior management of the Company refer to the Company's general manager, vice general manager, CFO, chief engineer and secretary to the board of directors and other personnel recognized by the board of directors.

## **CHAPTER 2 THE COMPANY'S OBJECTIVES AND SCOPE OF BUSINESS**

Article 10 The Company's objectives are:

- (a) To comply with the laws and regulations in the market;
- (b) To continue to explore business opportunities which are suitable for the Company;
- (c) To fully utilise every resource of the Company;
- (d) To place emphasis on the training of its employees and technological development;
- (e) To provide the society with products which are competitive; and
- (f) To use its best endeavor to maximise its profits.

Article 11 The Company's scope of business shall be consistent with and subject to the scope of business approved by the authority responsible for the registration of the Company.

The business scope of the company includes:

Permitted items: coal mining, public railway transportation, road goods transportation (excluding hazardous goods), port operation, installation, upgrading and maintenance of special equipment, catering services, accommodation services, sewage water treatment and recycling, heat generation and supply, inspection and detection services, inspection and detection for safety production, various projects construction, class I value-added telecommunications services, class II value-added telecommunications services. (Items which need approvals according to the laws shall be subject to

the approvals of relevant authorities before operation activities can be carried out. The specific business items shall be subject to the approval documents or licenses of relevant authorities.

General items: import and export of cargoes and techniques, project cost consulting services, investment activities with self-owned funds; business management; social and economic consulting services; market research (excluding foreign-related surveys); mining machinery manufacturing; mining machinery sales; machinery and equipment leasing; general equipment repair; general machinery and equipment installation services; sales of metal materials; sales of mechanical and electrical equipment; sales of construction materials; sales of timber; manufacturing and sales of special chemical products (excluding dangerous chemicals); manufacturing of chemical products for daily use; sales of coal and coal related products; manufacturing and sales of paints (excluding dangerous chemicals); sales of lubricants; sales of petroleum products (excluding dangerous chemicals); sales of chemical products (excluding licensed chemical products); technical services, technology development, technical consultation, technical exchange technology transfer, technology promotion; non-residential real estate leasing; sales of metal ore; general cargo warehousing services (excluding hazardous chemicals and other items requiring licensing approval); landscaping construction; excursion scenic spot management; safety technology training for special operators; measurement technology services; corporate image planning; sales of needle textile; plastic products sales; instrument sales; cement products sales; production and sales of refractory materials; sales of labor protection supplies; sales of office and stationery supplies; railroad transportation auxiliary activities; manufacturing and sales of fire blocking materials; manufacturing and sales of special electronic equipment; software development; network technology services; sales of network equipment ; Internet data services; sales of radio and television transmission equipment; sales of communications equipment; motor vehicle repair and maintenance; property management; human resources services (excluding employment intermediary activities and labor dispatching services); information system integration services, information system operation and maintenance services, industrial automatic control system device sales, digital video surveillance system sales and Internet equipment sales. (Except for items subject to approval by relevant authorities, the Company carry out business activities independently in accordance to law with its business license)

### **CHAPTER 3 SHARES**

Article 12 Shares of the Company are in the form of share certificates.

Article 13 The issue of shares by the Company shall adhere to the principles of openness, fairness and equitable. Every share of the same class shall rank pari passu to every other share of the same class.

Shares of the same class issued at the same time shall have the same terms and price. The same amount of money is payable by a unit or an individual subscribing the share.

Article 14 The shares issued by the Company shall be denominated in Renminbi.

Article 15 Shares which the Company issues to Domestic Investors for subscription in Renminbi shall be referred to as "Domestic-Invested Shares". Shares which the Company issues to Foreign Investors for subscription in foreign currencies shall be referred to as "Foreign- Invested Shares". Foreign- Invested Shares which are listed overseas are called "Overseas- Listed Foreign-Invested Shares". "Foreign currencies" mean the legal currencies of countries or districts outside the PRC which are recognised by the foreign exchange authority of the State and which can be used to pay the share price to the Company.

Domestic-Invested Shares issued by the Company shall be referred to as "A Shares". Overseas-Listed Foreign-Invested Shares issued by the Company and which are listed in Hong Kong shall be referred to as "H Shares". H Shares as shares which have been admitted for listing on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the par value of which is denominated in Renminbi and which are subscribed for and traded in Hong Kong dollars. H Shares can also be listed on a stock exchange in the United States in the form of American Depository Receipts.

Article 16 Subject to the approval of the companies approving department authorised by the State Council, the Company has issued a total of 7,442,040,720 ordinary shares, of which 1,670,000,000 ordinary shares were issued to the promoters at the time of establishment.

Article 17 The share capital structure of the Company is as follows: 7,442,040,720 ordinary shares, of which (a) 4,592,040,720 shares, which represent 61.7% of the Company's share capital, are held by A Shares shareholders; (b) 2,850,000,000 shares, which represent 38.3% of the Company's share capital, are held by the H Shares shareholders.

Article 18 The Directors, Supervisors and senior management of the Company shall declare to the Company their holdings in the Company's shares and inform the same if there are any changes in their holdings subsequently. During their terms of office, shares being transferred every year must not exceed 25% of their holdings in the Company's shares.

The shares of the Company held by Directors, Supervisors and senior management shall not be transferred under the following circumstances:

- (1) within one year from the date of listing and trading of the shares of the Company held by them;
- (2) within six months after leaving office;
- (3) undertaking not to transfer within a certain period and within that period;

- (4) other circumstances as stipulated by laws, regulations and stock exchanges.

Article 19 When Directors, Supervisors or senior management of the Company or shareholders holding more than 5% of the shares of the Company sell their shares or other securities with equity nature within six months after they are acquired or purchase shares or other securities with equity nature within six months after they are disposed of, the board of directors shall repatriate any profits derived from such dealings and the profits derived shall belong to the Company. However, for securities companies which have acquired shares underwritten and become shareholders having more than 5% of the shares of the Company and other circumstances specified by the CSRC are excluded.

Shares or other securities carrying equity interests held by Directors, Supervisors, senior management, natural person shareholders referred to in the preceding paragraph include those held by their spouses, parents, children and using the accounts of others to hold shares or other securities carrying equity interests.

If the board of directors fails to enforce the provisions as set out above, the shareholders are entitled to request the board of directors to enforce them within thirty days. If the board of directors still fails to enforce within the said timeline, the shareholders are entitled to commence legal proceeding at the People's Court directly in their own names in the interests of the company.

If the board of directors fails to enforce the first clause, the directors responsible shall be liable pursuant to the laws."

Article 20 The Company shall not accept the Company's shares as the object of a pledge.

Article 21 The Company and subsidiaries of the Company (including the affiliates enterprises of the Company) do not provide any assistance to a person who is acquiring or is proposing to acquire shares of the Company by way of gift, advancement, guarantee, indemnity or loans or other means.

#### **CHAPTER 4 CHANGES AND REPURCHASE OF SHARES**

Article 22 Based on its operating and development needs, the Company may, pursuant to the laws and regulations and with the approval by separate resolutions at the shareholders' general meeting, increase its capital in the following ways:

- 1) by public share offering;
- 2) by non-public share offering;
- 3) by allotting bonus shares to its existing shareholders;
- 4) by converting capital reserves into share capital;
- 5) by any other means permitted by laws and administrative regulations as well

as upon the approval of the CSRC.

Article 23 The Company may reduce its registered share capital. In so doing, it shall act according to the Company Law, other relevant provisions and these Articles of Association.

Article 24 The Company must prepare a balance sheet and an inventory of assets when it reduces its registered capital.

The Company shall notify its creditors within ten (10) days of the date of the Company's resolution for reduction of capital and shall publish an announcement in a newspaper within thirty (30) days of the date of such resolution. A creditor has the right within thirty (30) days of receipt of the notice from the Company or, in the case of a creditor who does not receive such notice, within forty-five (45) days of the date of the public announcement, to require the Company to repay its debts or to provide a corresponding guarantee.

Article 25 The Company may not purchase its own shares except under the following circumstances:

- (1) cancellation of shares for the purposes of reducing its capital;
- (2) merging with another company that holds shares in the Company;
- (3) to grant the shares as incentives to the Company's staff;
- (4) shareholders who disagree with the resolutions for the merger and separation of the Company made in a general meeting may demand the Company to purchase their shares.
- (5) to trade shares for the exchangeable bonds issued by the listed company.
- (6) the necessity for the listed company to maintain the value of the Company and the rights and interests of its shareholders.
- (7) other circumstances permitted by laws and administrative regulations.

Apart from the above, the Company is not allowed to engage in trading of its own shares.

Article 26 The Company purchase its shares, by open on-market centralized transactions, or by other means authorized by the relevant laws and administrative regulations and CSRC.

If the Company acquires the Company's shares due to the circumstances specified in Article 25(1) (iii), (iv) and (vi) of these Articles of Association, the acquisition shall be made through public centralized trading.

Article 27 The Company must obtain the prior approval of the shareholders in a general meeting before it can repurchase shares pursuant to the reasons set out



in these Articles of Association 25 (1) to (2). The Company may obtain the prior approval of over 2/3 of directors in a board of directors' meeting in accordance with the provisions of the Articles of Association or the authorization of the general meeting before it can repurchase shares pursuant to the reasons set out in these Articles of Association 25 (3), (5), (6).

Following shares being repurchased by the Company pursuant to the provisions in Article 25, in the case of (1), the shares repurchased shall be cancelled within 10 days of the completion of the repurchase. In the case of (2) and (4), the shares repurchased shall be transferred or cancelled within six months of the completion of the repurchase. The shares the Company repurchases in accordance with the provisions in Article 25(3), (5), (6) shall not be more than 10% of the total issued shares of the Company and should be transferred or cancelled within three years.

## **CHAPTER 5 SHAREHOLDERS' RIGHTS AND OBLIGATIONS**

Article 28 The Company shall, according to the vouchers provided by the securities registration authority, prepare a register of shareholders, which serves as sufficient evidence for the Company's shares held by the shareholders.

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

Article 29 When the Company intends to convene a general meeting of shareholders, distribute dividends, enter into liquidation or engage in other activities that involve confirmation of the identity of a shareholder, the convenor of the Board of Directors or general meeting shall determine a specific day for confirmation of shareholding. Shareholders named in the register of members after the trading session on the date of confirmation of shareholding shall be the shareholders who are entitled to relevant rights and interests.

Article 30 The shareholders of the Company shall enjoy the following rights:

- (1) the right to receive dividends and other distributions in proportion to the number of shares held;
- (2) the right to attend or appoint a proxy to attend shareholders' meeting and to speak and vote thereat;
- (3) the right of supervisory management over the Company's business operations and the right to present proposals or to raise queries;
- (4) the right to transfer, grant or pledge shares so held in accordance with laws, administrative regulations and provisions of these Articles of Association;
- (5) the right to obtain relevant information in accordance with these Articles of Association, including:

- (i) the right to obtain a copy of these Articles of Association, subject to payment of costs;
- (ii) the right to inspect, and the right to copy, subject to payment of a reasonable fee:
  - (a) all parts of the register of shareholders (the branch register of shareholders in Hong Kong shall be open for inspection by shareholders but the issuer may be permitted to close the register on terms equivalent to section 632 (Chapter 622 of the Laws of Hong Kong) of the Companies Ordinance;
  - (b) personal particulars of each of the Company's directors, supervisors and other senior management, including:
    - (aa) present and former name and alias;
    - (bb) principal address (place of residence);
    - (cc) nationality;
    - (dd) primary and all other part-time occupations and duties;
    - (ee) identification documents and the numbers thereof;
  - (c) report on the state of the Company's share capital;
  - (d) reports showing the aggregate par value, quantity, highest and lowest price paid in respect of each class of shares repurchased by the Company since the end of the last accounting year and the aggregate amount paid by the Company for this purpose;
  - (e) minutes of shareholders' general meetings;
  - (f) the copies of the Company's debentures, resolutions of the meetings of the board of directors, resolutions of the meetings of the Supervisory Committee, financial and accounting reports
- (6) in the event of the termination or liquidation of the Company, the right to participate in the distribution of surplus assets of the Company in accordance with the number of shares held;
- (7) shareholders who disagree with the resolutions for the merger and separation of the Company made in a general meeting may demand the Company to purchase their shares.
- (8) other rights conferred by laws, administrative regulations and these Articles of Association.

Article 31 Shareholders proposing to inspect the relevant information as set out in the

previous Articles or collect information shall produce the relevant proofs of the type and quantity of shares that they are holding to the Company. The Company shall provide the shareholders such information as required after verification of the identities of the shareholders.

Article 32 In the event that the resolution of a shareholders' meeting or a board meeting is against the law or administrative rules and has infringed the legitimate interest of a shareholder, the shareholder shall have the right to submit to the People's Court to declare the resolution invalid.

In the event the procedures for convening the shareholders' meeting and the board of directors meeting and voting thereat violate the law, administrative regulations or the provisions of these Articles, or the content resolved being in contrary to these Articles, the shareholder shall have the right to submit to the People's Court to rescind the resolution within 60 days after the resolution is made.

Article 33 In the event the directors and senior management violate the law, administrative regulations or the provisions of these Articles in performing the Company's duties, and incur a loss to the Company, shareholder(s), either individually or jointly holding more than 1% of the Company's shares for more than 180 consecutive days shall have the right to submit a written request to the Supervisory Committee for commencing legal proceedings in the People's Court. In the event the Supervisory Committee violates the law, administrative regulations or the provisions of these Articles in performing the Company's duties, and incur a loss to the Company, the shareholders shall have the right to submit a written request to the board of directors for commencing legal proceedings in the People's Court.

In the event the Supervisory Committee or the board of directors refuses to commence legal proceedings after receiving the written request from the shareholders as provided in the paragraph above, or has not commenced legal proceedings 30 days after receiving the written request, or in case of emergency, without commencing legal proceedings forthwith will result in damages in the interests of the Company considerably difficult to rectify, the shareholders as provided in the paragraph above shall have the right to commence legal proceedings directly in the People's Court in their own names for the interests of the Company.

In the event the legal interests of the Company are being violated by other parties and incur a loss to the Company, the shareholders as provided in the first paragraph of this Article shall commence legal proceedings in the People's Court in accordance with the provisions in the earlier two paragraphs.

Article 34 In the event the directors and senior management violate the law, administrative regulations or the provisions of these Articles, and the rights of shareholders are prejudicially affected, the shareholders shall have the right to commence legal proceeding in the People's Court.

Article 35 The shareholders of the Company shall assume the following obligations:

- (1) to comply with these Articles of Association;
- (2) to pay subscription monies according to the number of shares subscribed and the method of subscription;
- (3) no return of capital is allowed apart from those as provided in the laws and regulations;
- (4) The right of the shareholder shall not be abused to infringe the interests of the Company or other shareholders. The independent status of corporate legal person and the limited liabilities of the shareholder shall not be abused to infringe the interests of the Company's creditors;

The Company's shareholder who abuses his rights and result in losses to the Company or its other shareholders shall assume indemnity liabilities pursuant to the laws.

The Company's shareholder who abuses the independent status of corporate legal person and the limited liabilities of the shareholder to avoid debts and seriously infringe the interests of the Company's creditors shall assume incidental liabilities to the Company's debts.

- (5) other obligations imposed by laws, administrative regulations and these Articles of Association.

Where a shareholder of a company causes losses to the company or other shareholders by abusing his rights, he shall be liable for compensation according to law.

Where the shareholders of a company abuse the independent status of the Company as a legal person and the limited liability of the shareholders to evade debts and seriously damage the interests of the creditors of the Company, they shall be jointly and severally liable for the debts of the Company.

Article 36 Shareholder holding more than 5% of the shares with voting right in the Company shall submit a written report to the Company when creating a pledge over its shares on the date the same is effected.

Article 37 The controlling shareholders of the Company and persons in actual control of the Company shall not damage the lawful rights of the Company and the public shareholders by means of connected transaction.

Those who violate the provisions in the paragraph above resulting in loss on the Company shall assume indemnity liabilities.

The controlling shareholders of the Company and persons in actual control of the Company have fiduciary duties towards the Company and the public shareholders. The controlling shareholders shall exercise his rights as investors strictly in accordance with the laws. The controlling shareholders shall not

damage the lawful rights of the Company and the public shareholders by means of profit distribution, assets restructuring, external investment, use of capital and loan guarantee etc. and shall not take advantage of its controlling position to damage the interest of the Company and the public shareholders.

Article 38 In operational fund transactions between the controlling shareholder of the Company and its related parties, appropriation of funds of the Company shall be strictly restricted. The controlling shareholder of the Company and its related parties shall not require the Company to pay advance fees such as salary, benefits, insurance, advertising, and they shall not undertake costs and other expenses on each other's behalf.

Article 39 The Company shall establish a special system to prevent the appropriation of assets of the Company by the controlling shareholder of the Company and its related parties. The Company shall conduct periodic self-inspections as to whether the controlling shareholder of the Company and its related parties have engaged in non-operational appropriations of funds of the Company and report such matters to the relevant regulatory authorities within 10 business days before publication of its quarterly- reports, interim reports and annual reports.

If there are non-operational appropriations of funds of the Company conducted by the controlling shareholder of the Company and the Company fails to prevent such appropriations of funds or fails to recover such funds so appropriated in a timely manner, the Board shall be entitled to realize the repayment of such by, among others, applying to a court for an injunction and auction of equities of the Company held by its controlling shareholder.

Article 40 A sound investor relationship management working system shall be established, and the communication and interaction with the shareholders especially the public shareholders shall be initiated and strengthened through various ways.

## **CHAPTER 6 SHAREHOLDERS' GENERAL MEETINGS**

### **Section 1 General Rules for Shareholders' General Meetings**

Article 41 The shareholders' general meeting is the organ of authority of the Company and shall have the following functions and powers in accordance with law.

- (1) to decide on the Company's operational policies and investment plans;
- (2) to elect and replace directors and supervisors who are not staff representatives and to decide on matters relating to the remuneration of directors and supervisors;
- (3) to examine and approve the board of directors' reports;
- (4) to examine and approve the supervisory committee's reports;
- (5) to examine and approve the Company's proposed annual preliminary

and final financial budgets;

- (6) to examine and approve the Company's profit distribution plans and loss recovery plans;
- (7) to decide on the increase or reduction of the Company's registered capital;
- (8) to decide on the issue of debentures by the Company;
- (9) to decide on matters such as merger, division, dissolution, liquidation or amendment to the method of operation of the Company;
- (10) to amend these Articles of Association;
- (11) to decide on the appointment, dismissal and non-reappointment of the accountants of the Company;
- (12) to consider and approve issues of guarantee as provided in Article 42 and issues of financial assistance as provided in Article 43;
- (13) to consider issues on acquisitions and disposals of assets during a year which exceeds 30% of the latest audited total assets of the Company;
- (14) to consider and approve issues on the change in use of proceeds;
- (15) to consider the mutual provision of loans among overseas subsidiaries of the Company, where the accumulative amount of such mutual loans in 12 consecutive months account for more than 50% of the latest audited net asset value of the Company calculated on the basis of PRC accounting standards, provided that such mutual loans are in compliance with the laws, rules and relevant regulations of the relevant place(s) of incorporation of such overseas subsidiaries;
- (16) to consider share incentive schemes and employee share-holding plan;
- (17) other matters to be decided in shareholders' general meeting as provided by the laws, administrative regulations, departmental rules or these Articles of Association

Article 42 The provision of guarantees by the Company to its shareholders, persons in actual control of the Company and their associates shall be considered and approved by the shareholders in a general meeting.

The provision of guarantee by the Company to its controlled subsidiaries or joint stock subsidiaries shall be subject to consideration and approval by the shareholders in a general meeting if:

- (1) the provision of any guarantee where the amount of the external guarantee by the Company and its controlled subsidiaries exceeds 50%

of the latest audited net assets;

- (2) the provision of any guarantee where the amount of the external guarantee by the Company and its controlled subsidiaries exceeds 30% of the latest audited net assets;
- (3) The cumulative amount of the guarantee for a period of twelve consecutive months exceeds 30% of the Company's latest audited total assets.
- (4) provision of guarantee to any guaranteed party with an assets to liabilities ratio exceeding 70%.
- (5) guarantees in which the amount of a single guarantee exceeds 10% of the latest audited net assets.

The Company shall provide guarantee in accordance with the regulations on state-owned asset supervision and regulation.

The Company shall not provide guarantee to any natural person, legal person, institutions and other entities not referred to in (1) and (2) above.

Article 43 Financial assistance matters shall be submitted to the shareholders' general meeting for consideration after consideration and approval by the board of directors if they fall under one of the following circumstances:

- (1) the amount of a single financial assistance exceeds 10% of the Company's latest audited net assets;
- (2) financial assistance provided to the guarantee whose gearing ratio exceeds 70%;
- (3) the cumulative amount of financial assistance within the last 12 months exceeds 10% of the latest audited net assets of the Company;
- (4) other circumstances as stipulated in the Articles of Association.

A financial assistance can be exempted from the approval procedures of the board of directors and shareholders' general meetings when it is provided to a holding subsidiary within the scope of consolidated statement of the Company, and the other shareholders of such holding subsidiary do not include the controlling shareholders, actual controllers and their related persons of the listed company.

Article 44 Shareholders' general meetings are divided into annual general meetings and extraordinary general meetings. Annual general meetings are held once every year and within six months from the end of the preceding financial year.

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

- (1) where the number of directors is less than the number stipulated in the Company Law or two-thirds of the number specified in the Company's Articles of Association or is less than eight (8);
- (2) where the unrecovered losses of the Company amount to one-third of the total amount of its paid-up share capital;
- (3) where shareholder(s) singly or jointly holding more than 10% of the Company's issued and outstanding voting shares request(s) in writing for the convening of an extraordinary general meeting;
- (4) whenever the board of directors deems necessary or the supervisory committee so requests;
- (5) other cases as provided in laws, administrative regulations and these Articles of Association.

Article 45 The shareholders' general meeting will be held at a location for meeting with the presence of those who are entitled to attend. The location where the Company convenes its shareholders' general meeting will be the registered address of the Company or other places as set out in the notice convening the meeting.

Online voting shall be provided for its shareholders by the Company to conveniently participate in the shareholders' general meetings. Shareholders participating in the shareholders' general meetings by any aforesaid means shall be deemed as having attended the meetings

Article 46 At a shareholders' general meeting, the Company shall retain legal advisers and obtain legal advice in relation to the following issues which shall be disclosed with the announcement of shareholders' resolutions:

- (1) Whether the procedures for convening and holding a general meeting comply with the requirements of the laws, administrative regulations and these Articles of Association;
- (2) Whether attendees or the convenor of a general meeting meet the requisite legal requirements;
- (3) Whether the voting procedures for and the voting results of the general meeting are lawful and valid; and
- (4) Issuance of legal opinions on other relevant issues at the request of the Company.

Article 47 The Company shall formulate rules of the shareholders' general meeting, which shall be drawn up by the board of directors and be considered as well as approved in the shareholders' general meeting.



## **Section 2 Calling for Shareholders' General Meetings**

Article 48 The board of directors, Supervisory Committee and qualified shareholders as provided in these Articles of Association shall have the right to convene the shareholders' general meeting in accordance with the relevant laws, regulations and the provisions of these Articles of Association.

The board of directors shall timely convene the shareholders' general meeting within the timeframe as provided in Article 44 of these Articles of Association.

Article 49 Independent directors are entitled to propose to the Board to convene an extraordinary general meeting. Pursuant to the stipulation under the laws, administrative rules and these Articles of Association, the board of directors shall give a written feedback on whether to approve or disapprove of the convening of the extraordinary general meeting within 10 days after the receipt of the independent directors' proposal.

If the board of directors agrees to convene the extraordinary general meeting, a notice for convening the shareholders' general meeting shall be issued within 5 days after the resolution of convening the extraordinary general meeting has been made by the board of directors; an announcement with relevant explanation shall be made if the board of directors does not agree to convene the extraordinary general meeting.

Article 50 The supervisory committee is entitled to propose to the board of directors in writing for convening the extraordinary general meeting. Pursuant to the stipulation under the laws, administrative regulations and these Articles of Association, the board of directors shall give a written feedback on whether to approve or disapprove of the convening of the extraordinary general meeting within 10 days after the receipt of the supervisory committee's proposal.

If the board of directors agrees to convene the extraordinary general meeting, a notice for convening the extraordinary general meeting shall be issued within 5 days after the decision has been made by the board of directors. Consent of the supervisory committee has to be obtained for making any alternation on the original proposed resolution in the notice.

If the board of directors does not agree to convene the extraordinary general meeting, or no feedback is given within 10 days after receiving the request, it will be deemed that the board of directors is unable to fulfill or fails to fulfill its responsibilities to convene the shareholders' general meeting. The Supervisory Committee hereby can convene and preside the meeting by itself.

Article 51 Shareholders who request for of an extraordinary general meeting shall comply with the following procedures:

- (1) Shareholders who individually or together hold 10% or more of the shares entitled to propose to convene an extraordinary general meeting to the board of directors in writing. Within 10 days of receiving such proposal, the board of directors shall provide its written decision as to

whether it agrees to convene such general meeting in accordance with the laws, administrative regulations and the Articles of Association.

- (2) If the board of directors agrees to convene an extraordinary general meeting, it shall issue a notice of meeting within 5 days of its decision, and any changes to the proposal shall be made only with the consent of the proposing shareholders.
- (3) If the board of directors decides against convening the proposed extraordinary general meeting, or if it fails to provide its written decision within 10 days of receipt of the proposal, shareholders individually or in aggregate holding 10% or more of the shares of the Company are entitled to propose to convene general meeting to the supervisory committee in writing.
- (4) If the Supervisory Committee agrees to convene the proposed extraordinary meeting, it shall issue the notice of meeting within 5 days of receipt of the proposal, and any changes to the original proposal shall be made only with the consent of the shareholders.
- (5) If the Supervisory Committee fails to issue a notice of meeting within the prescribed period, the supervisory committee shall be deemed not to convene and chair the meeting. Shareholders individually or in aggregate holding 10% or more of the shares of the Company for 90 consecutive days may convene and chair the meeting on their own.

All reasonable expenses incurred for such meeting convened by the Supervisory Committee or shareholders as a result of the failure of the board of directors to convene a meeting as required by the above request(s) shall be borne by the Company.

Article 52 If the Supervisory Committee or the shareholders decides/decide to convene the shareholders' general meeting by itself/themselves, a written notice shall be given to the board of directors and in the meantime report shall be made to the stock exchange for record.

Before publishing the resolutions of the shareholders' general meeting, shares held by the convening shareholder(s) shall not be less than 10%.

The Supervisory Committee or convening shareholder(s) shall submit the relevant documents to the stock exchange before issuing the notice for convening of the shareholders' general meeting and the announcement on resolution proposed to the shareholders' general meeting.

Article 53 The Board and the secretary to the board of directors should accommodate to the shareholders' general meeting convened by the Supervisory Committee or the shareholders. The board of directors shall provide the list of shareholders on the record day.

### **Section 3 Proposing Resolutions for and Notices of Shareholders' General Meetings**

Article 54 When the Company convenes a shareholders' general meeting, the board of directors, the supervisory committee and shareholder(s) individually and jointly holding more than 3% of the Company's shares have the right to propose resolutions to the Company.

Shareholder(s) individually and jointly holding more than 3% of the Company's shares may propose special resolutions in writing to the convenor 10 days before the shareholders' general meeting is convened. The convenor shall issue a supplementary notice of the general meeting within two days after receiving the resolutions to announce the contents of the resolutions.

Apart from the above, no amendment to the resolutions as set out in the notice of general meeting or proposal of new resolutions shall be made after the convenor has issued the notice of general meeting.

The resolutions not set out in the notice of general meeting or failing to comply with Article 55 of these Articles of Association shall be not voted and resolved in the shareholders' general meeting.

Article 55 The contents of the resolutions shall fall within the scope of authority of the shareholders' general meeting, with questions defined and specific issues to be resolved, and shall also comply with the laws, regulations, administrative regulations and relevant provisions of these Articles of Association.

Article 56 At the annual shareholders' general meeting, the board of directors and the supervisory committee shall report on their work for the previous year. Each independent director shall submit his or her work report.

Article 57 The board of directors must explain to the shareholders in the shareholders' general meeting when a registered accountancy firm issues a qualified audit opinion in respect of the Company's financial statements.

Article 58 The candidates for the directors and supervisors shall be submitted to the shareholders' general meeting for voting by way of resolutions.

Article 59 Unless otherwise provided by the relevant laws and regulations, the listing rules issued at the listing place of the Company and the Articles of Association in respect of the means of receipt of corporate communication, when the Company convenes a shareholders' annual general meeting, notice by way of announcement shall be given to shareholders twenty (20) business days before the date of the meeting. When the Company convenes a shareholders' extraordinary general meeting, written notice and announcement of the meeting shall be given ten (10) business days or fifteen (15) days (whichever is longer) before the date of the meeting. (When calculating the days' period, the dates on which the notice of the meeting is given and the meeting is held shall not be included). A shareholder who intends to attend the meeting shall deliver to the Company his written reply concerning his attendance within the dates limit specified in the notice.

Article 60 notice of a meeting of the shareholders of the Company shall satisfy the following criterion:

- (1) Unless otherwise provided by the relevant laws and regulations, the listing rules issued at the listing place of the Company and the Articles of Association in respect of the means of receipt of corporate communication, a notice should be provided in written form;
- (2) specify the place, date and time of the meeting;
- (3) state the matters and proposals to be discussed at the meeting;
- (4) contain a conspicuous statement that all shareholders of ordinary shares entitled to attend at such meeting, and may appoint proxies in writing to attend and vote at such meeting and that a proxy need not be a shareholder;
- (5) specify the time and place for lodging proxy forms for the relevant meeting;
- (6) state the registration date of the shares of shareholders who are entitled to attend the general meeting;
- (7) state the name and telephone number of the contact person for the meeting;
- (8) voting time and voting procedures via internet or other means.

In the event the opinion of independent directors is required for the issues to be discussed, such opinion and the reasons for such opinion shall be disclosed in the notice or supplementary notice of the general meeting being issued.

Article 61 If matters relating to election of directors and supervisors are proposed to be discussed at a shareholders' general meeting, detailed information concerning the candidates shall be fully disclosed in the notice of the general meeting, which shall at least include the following:

- (1) Personal information relating to the candidates, including educational background, work experience and all other positions undertaken on a part-time basis;
- (2) Whether the candidates are connected with the Company, its controlling shareholders or de facto controllers;
- (3) The candidates' shareholding in the Company;
- (4) Whether the candidates have been subject to any punishment by the competent securities authorities under the State Council or other relevant department or to any sanction by any stock exchange.

In addition to the adoption of the cumulative voting mechanism to elect directors and supervisors, each candidate for directors or supervisors shall be proposed in a separate motion.

Article 62 After the issue of the notice of general meeting, the shareholders' general meeting shall not be postponed or cancelled or the resolutions set out in the notice of general meeting shall not be cancelled without any proper reason. In the event that there is any delay or cancellation, the convenor shall announce the reasons for such delay or cancellation at least two business days before the date the general meeting is originally scheduled to be held.

#### **Section 4 Qualifications of Shareholders Attending Shareholders' General Meeting**

Article 63 All shareholders (include Hong Kong Securities Clearing Company Limited) or their proxies who are named in the shareholders' register on the record date shall have the right to attend the shareholders' general meeting, and exercise their voting rights in accordance with the laws, regulations and these Articles of Association.

The shareholders may attend general shareholders' meetings in person, and may appoint a proxy (need not to be a shareholder) to attend and exercise corresponding rights to speak and vote.

Article 64 An individual shareholder who attends the shareholders' general meeting in person shall produce his identification documents or other valid document or certificate which can prove his identity and his stock account card. Where a proxy is appointed to attend the meeting, the proxy shall produce his own identification documents and the proxy form.

A legal person shareholder shall attend the meeting by its authorized representative or the attorney as appointed by such authorized representative. An authorized representative who attends the shareholders' general meeting in person shall produce his identification documents, valid certificate which can prove his identity. Where an attorney is appointed to attend the meeting, the attorney shall produce his own identification documents and the relevant power of attorney executed by such authorized representative pursuant to the laws.

Article 65 The proxy form appointing a proxy of a shareholder shall be in writing. Such written form shall state the following:

- (1) The name of the proxy;
- (2) Whether or not the proxy has any voting right;
- (3) An indication to vote for or against each and every matter included in the agenda, (except the proxy of H Shareholders);
- (4) The date of issue and the valid period of the proxy form;
- (5) The signature (or seal) of the principal; if the principal is a legal

person, supplemented with the seal of the legal person.

Article 66 The proxy form shall state clearly if the proxy is entitled to vote at his discretion in the absence of specific instruction from the principal.

Article 67 The instrument appointing a voting proxy and, if such instrument is signed by a person under a power of attorney or other authority on behalf of the appointor, a notarially certified copy of that power of attorney or other authority shall be deposited at the residence of the Company or at such other place as is specified for that purpose in the notice convening the meeting.

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

### **Section 5 Convening Shareholders' General Meetings**

Article 68 The board of directors of the Company together with other convenors shall adopt necessary measures to maintain the normal order of the shareholders' general meeting. Measures shall be taken to stop any act which interferes with or causes nuisance at a general meeting and any act which infringes the lawful interests of the shareholders. Timely report of these acts shall be made to the relevant authority for investigation.

Article 69 The Company shall prepare a log book to record the parties attending the shareholders' general meeting. The log book shall set out the name of the person or unit attending the meeting, their identification document numbers, resident address, the number of voting shares they have and the name of the principals (if the parties attending the meeting is a proxy/attorney).

Article 70 The convenor and the legal advisers retained by the Company shall jointly verify the eligibility of the shareholders to vote based on the Company's shareholder register provided by the securities registration and clearing authority and shall register the name of the shareholders together with the numbers of voting shares they have. Registration shall come to a close before the chairman of the meeting announces the number of shareholders and proxies physically present at the meeting as well as the total number of voting shares represented by the shareholders who are entitled to vote.

Article 71 When convening shareholders' general meeting, all directors, supervisors and secretary of the board of directors shall attend the meeting, and the manager and other senior management shall attend the meeting as non-voting attendees.

Article 72 The chairman of the board of directors shall be presided over the shareholders' general meeting. If the chairman of the board of directors is unable or fail to perform his duty, then the vice-chairman shall presided over (if the Company has two or more vice-chairmen, the vice-chairman who is jointly elected by more than half of the directors shall presided over). If the

vice-chairman of the board of directors is unable or fail to perform his duty, then a director may be nominated by more than half of all the directors to presided over.

The chairman of the Supervisory Committee shall chair shareholders' general meeting being convened by the Supervisory Committee and act as the chairman of the meeting. If the chairman of the Supervisory Committee is unable to attend the meeting for any reason, the vice-chairman of the Supervisory Committee shall chair the meeting. If the vice-chairman of the Supervisory Committee is unable or fail to perform his duty, then a Supervisor may be nominated by more than half of all Supervisors to chair the meeting.

The convenor of a shareholders' general meeting being convened by the shareholders shall nominate a representative to chair the meeting.

During the shareholders' general meeting is being held, in the event the host of the meeting violates the proceedings of the meeting such that the shareholders' general meeting is unable to proceed, the shareholders' general meeting may nominate one person which is agreed by the shareholders attending the meeting and carrying more than half of the voting rights in the shareholders' general meeting to be the host and proceed to transact business in the meeting.

Article 73 Except for trade secrets of the Company which cannot be disclosed at the general meeting, the board of directors, the Supervisory Committee and the senior management should make an explanation or statement regarding the shareholders' queries and suggestions.

Article 74 The convenor shall ensure that a shareholders' general meeting is held on a continuous basis until a final resolution is adopted. If a general meeting is suspended or no resolution can be adopted due to force majeure or other exceptional reasons, necessary measures shall be taken so as to promptly reconvene the general meeting or to directly terminate the then general meeting, and public announcement relating thereto shall also be made on a timely basis. At the same time, the convenor shall report the same to the local office of the competent securities authorities under the State Council and to the relevant stock exchanges.

## **Section 6 Voting and Resolutions of Shareholders' General Meeting Article**

Article 75 Resolutions of shareholders' general meetings shall be divided into ordinary resolutions and special resolutions.

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

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

Article 76 The following matters shall be resolved by an ordinary resolution at a shareholders' general meeting:

- (1) work reports of the board of directors and the supervisory committee;
- (2) to decide on the Company's operational policies and investment plans;
- (3) profit distribution plans and loss recovery plans formulated by the board of directors;
- (4) removal of members of the board of directors and members of the supervisory committee, their remuneration and manner of payment;
- (5) annual preliminary and final budgets;
- (6) the Company's annual report;
- (7) mutual provision of loans among the Company's overseas subsidiaries of which a resolution is required to be passed at the shareholders' general meeting;
- (8) matters other than those which are required by the laws and administrative regulations or by these Articles of Association to be adopted by special resolution.

Article 77 The following matters shall be resolved by a special resolution at a shareholders' general meeting:

- (1) the increase or reduction in share capital and the issue of shares of any class, warrants and other similar securities;
- (2) the issue of debentures of the Company;
- (3) the division, spin-off, merger, dissolution and liquidation of the Company, as well as the alteration of the form of the Company;
- (4) the amendment of the Company's Articles of Association;
- (5) the repurchase of the Company's shares;
- (6) the Company's significant acquisition or disposal of material assets or provision of guarantees conducted within the period of one year with a value exceeding 30% of the latest audited total assets of the Company;
- (7) share incentive schemes;
- (8) other matters which are provided by the laws, administrative regulations or these Articles of Association, and resolved by shareholders by ordinary resolution and are considered by the shareholders to be material



to the Company and are required to be passed by special resolution."

Article 78 Unless otherwise under special emergency circumstances, and with prior approval of shareholders in the form of a special resolution obtained in a general meeting, the Company shall not enter into any contract with any person other than the directors and senior management of the Company pursuant to which such person shall be responsible for the management and administration of the whole or any substantial part of the Company's business.

Article 79 A shareholder (including a proxy), when voting at a shareholders' general meeting, may exercise such voting rights as are attached to the number of voting shares which he represents. Each share shall have one (1) vote.

When material issues affecting the interests of minority shareholders are considered at the shareholders' general meeting, the votes of minority shareholders shall be counted separately. The results of separate vote counting shall be disclosed publicly in a timely manner.

The Company's shares held by the Company do not carry any voting rights, and shall not be counted into the total number of shares carrying voting rights in the shareholders' general meeting.

If a shareholder buys shares of the Company with voting rights in violation of Paragraph 1 and Paragraph 2 of Article 63 of the Securities Law, such shares in excess of the prescribed proportion shall not be allowed to exercise voting rights for a period of thirty-six months after the purchase, and shall not be counted as the total number of shares with voting rights present at the shareholders' general meeting.

The Board of Directors, independent directors, and shareholders holding more than 1% of the voting shares or investor protection institutions established in accordance with laws, administrative regulations or the provisions of the CSRC may openly solicit voting rights from other shareholders. Information including the specific voting intention shall be fully disclosed to the shareholders from whom voting rights are being solicited. Consideration or de facto consideration for soliciting shareholders' voting rights is prohibited. Otherwise stipulated by laws, the Company shall not impose any minimum shareholding limitation for soliciting voting rights.

Note: Article 63(1) and (2) of the Securities Law

If, through securities trading on a stock exchange, an investor holds or jointly holds with others through an agreement or other arrangements 5% of the issued voting shares of a listed company, he or she shall, within three days from the date of such fact, make a written report to the securities regulatory authority under the State Council and the stock exchange, notify the listed company, and make an announcement, and shall not engage in any further trading in the shares of the listed company within the above-mentioned period, unless otherwise stipulated by the securities regulatory authority under the State Council.

If an investor holds or jointly holds with others through an agreement or other arrangements 5% of the issued voting shares of a listed company, and there is a 5% increase or decrease in the issued voting shares of the listed company, the investor shall not, within three days from the date of such fact, engage in any further trading in the shares of the listed company in accordance with the provisions of the preceding paragraph to report and announcement, unless otherwise stipulated by the securities regulatory authority under The State Council.

Article 80 When connected transactions are voted at the general meeting, the connected shareholders shall not participate in voting. The voting rights represented by the shares held by them shall not be counted in the total number of shares validly voted. The announcement on the resolutions passed by the general meeting should fully disclose the details of voting by unconnected shareholders.

Article 81 Where any shareholder is, under the Hong Kong Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any vote cast or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

Article 82 Voting on resolution(s) at a general meeting shall be conducted by registered poll.

Article 83 Election of directors of the Company (including independent directors but not staff representatives) and Supervisors (who are not staff representatives) shall take place in the form of cumulative voting system.

When electing directors at the shareholders' general meeting, the independent directors shall be elected separately with other members of the board of directors. Each share having voting rights held by a shareholder has the number of votes equal to the number of nominated directors. A shareholder may freely allocate his votes among the nominated directors, either to allocate to a number of persons, or to vote all his/her votes in favour of one person.

When electing supervisors at the shareholders' general meeting, each share having voting rights held by a shareholder has the number of votes equal to the number of nominated supervisors. A shareholder may freely allocate his votes among the nominated supervisors, either to allocate to a number of persons, or to vote all his/her votes in favour of one person.

Article 84 Except for the cumulative voting system, each of the proposed resolution shall be decided by the voting in the shareholders' general meeting in sequence. Should there be more than one resolution on the same issue, voting shall be conducted according to the chronology of the resolutions proposed. No proposed resolution should be set aside or remained undecided unless the shareholders' general meeting is terminated or resolutions cannot be made due to exceptional reasons including force majeure.

Article 85 No amendment shall be made to the resolutions being considered by the shareholders' general meeting. Otherwise, the relevant amendments shall be treated as a new resolution and shall not be voted in the prevailing shareholders' general meeting.

Article 86 Prior to voting, the chairman of the meeting shall announce the number of shareholders and proxies physically present at the meeting as well as the total number of voting shares represented by shareholders who are entitled to vote. The number of shareholders and proxies physically present at the meeting as well as the total number of voting shares represented by the shareholders who are entitled to vote shall be determined in accordance with those registered during the meeting.

Article 87 When considering the resolutions being submitted for voting, shareholders attending the meeting shall deliver their opinion in respect of approval or objection to such motions or abstention from voting. (Voting by H Shareholders may not include abstention from voting.)

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

Unless securities registration and settlement institutions, as the nominal holders of Shares that can be traded through Shanghai-Hong Kong Stock Connect, make declarations according to the intention of actual holders.

Article 88 Each vote can only be exercised once either physically at a meeting, via Internet or through other permitted means. If the same vote is exercised more than once, only the first vote will be accounted for.

Article 89 Before a resolution is decided on a motion at a shareholders' general meeting, two representatives of the shareholders shall be nominated to participate in counting the votes as well as supervising the counting process. If a shareholder is interested in the matters under consideration, the relevant shareholders and his proxies shall not participate in counting the votes or supervising the counting process.

At the time of deciding on a motion by voting at a general meeting, legal advisers, representatives of shareholders and representatives of supervisors shall participate in counting the votes as well as supervising the counting process. They shall announce the voting results at the meeting. The voting results in connection with the resolution shall be recorded in the minutes.

Shareholders of the Company or their proxies who cast their votes via Internet or through other permitted means shall have the right to monitor the voting results by the corresponding voting platform.

Article 90 A shareholders' general meeting shall not be declared closed for

shareholders who attend in person at a time earlier than for those shareholders who attend via Internet or other permitted means. The chairman of the meeting shall announce at the meeting the voting details and results of each motion and shall declare whether or not a motion is adopted on the basis of relevant voting results.

Prior to announcement of the voting results, the Company, persons responsible for counting the votes, persons responsible for supervising the counting process, Internet service providers and other relevant parties involved in the general meeting, whether on-site, via internet or other ways, shall have the obligation to keep matters related to voting confidential.

Article 91 If the host of the meeting has any doubt as to the result of a resolution which has been put to vote at a shareholders' meeting, he may have the votes counted. If the host of the meeting has not counted the votes, any shareholder who is present in person or by proxy and who objects to the result announced by the host of the meeting may, immediately after the declaration of the result, demand that the votes be counted and the host of the meeting shall have the votes counted immediately.

Article 92 If votes are counted at a shareholders' general meeting, the result of the count shall be recorded in the minute book.

Article 93 Resolutions of the shareholders' general meeting shall be announced timely. The announcement shall include the time, place and way of convening the meeting, the convener, the number of shareholders (proxies) attending the meeting, the number of shares held (proxies) and the proportion of the total number of voting shares of the listed company, the voting method of each proposal, the voting result of each proposal, the concluding opinion of the legal opinion, etc.

When the shareholders' general meeting considers material matters affecting the interests of small and medium-sized investors, the votes of shareholders except the directors, supervisors and senior management of the Company and shareholders who individually or collectively hold more than 5% of the shares of the Company shall be counted and disclosed separately.

Article 94 Where a resolution of the meeting is not adopted, or a resolution passed at the previous shareholders' general meeting is changed at the current shareholders' general meeting, specific note shall be given in the announcement for the resolutions passed in the shareholders' general meeting.

Article 95 The motion for the new session of the board of directors and the Supervisory Committee being passed by the shareholders' general meeting shall commence office after the resolution being passed by the shareholders' general meeting.

In the event the election of the staff representative (hereinafter referred to as the "staff director") in the new session of the board of directors and the staff representative (hereinafter referred to as the "staff supervisor") in the new

session of the Supervisory Committee by the staff is earlier than the terms the new session of the board of directors and the Supervisory Committee commence, their offices will commence when the terms of the new session of the board of directors of director and the supervisory committee commence. If the election by staff is later than the terms of the new session of the board of directors and the Supervisory Committee commence, their offices will commence on the date when they are elected by the staff.

Article 96 If a motion in respect of the distribution of cash or bonus shares, or in connection with the capital increase by conversion from common reserve funds, is adopted at a shareholders' general meeting, the Company shall implement such distribution within two months of the relevant general meeting.

Article 97 Minutes of a shareholders' general meeting shall be kept and such minutes shall be prepared by the Secretary to the board of directors. Minutes of the shareholders' general meetings should set out the following:

- (1) the date and venue for convening the meeting, meeting agenda and the name of the convenor;
- (2) the name of the chairman of the meeting as well as those of the directors, supervisors and senior management who attend the meeting as attendees and participants;
- (3) the number of shareholders and proxies attending the meeting, the total number of voting shares represented by the shareholders who are entitled to vote; the proportion of the number of voting shares represented by the shareholders who are entitled to vote out of the total number of shares of the Company;
- (4) a description of the considerations taken for each motion, the main points put forward by each speaker relating thereto and the voting results thereof;
- (5) details of queries and recommendations of the shareholders and the corresponding response or explanation in relation thereto;
- (6) the names of the legal advisers and persons responsible for counting the votes and for supervising the counting process; and
- (7) other contents which should be recorded in the minutes as provided for in these Articles of Association.

Article 98 The convenor shall ensure that the content of the minutes shall be true, accurate and complete. Minutes shall be signed by attendees of the meeting, including the directors, supervisors, secretary to the board of directors, the convenor or its representative and the chairman of the meeting. Minutes shall, together with the register relating to the shareholders present at the meeting in person and the proxy form if present by proxy, or via Internet or other permitted means be kept by the Company for a period of not less than ten years.

## **Section 7 Voting Platform through Internet**

Article 99 The Company shall, with its priority to ensure that the shareholders' general meeting is legal and effective, enlarge the proportion of public shareholders participating in the shareholders' general meeting through various manner and means including providing modern information technological means such as voting platform through internet. Attendance shall be accepted for shareholders who attend the general meeting through the above means.

Online voting access for domestic shareholders shall be provided through internet service providers designated by China Securities Regulatory Commission and Shanghai Stock Exchange. The holders of Overseas Listed Foreign Invested Shares will not be provided with online voting access.

Upon completion of the voting process at the shareholders' general meeting, the Company shall consolidate, in respect of each proposal, the voting results of live meeting, online voting and other forms of voting in accordance with the relevant regulation before making any announcement.

## **CHAPTER 7 BOARD OF DIRECTORS**

### **Section 1 Directors**

Article 100 Directors who are not staff representative shall be elected or removed at the shareholders' general meeting.

The staff directors shall be elected by the staff in the staff representative meeting or by other ways democratically.

Directors shall be elected for a term of three years.

At the expiry of the term, it shall be renewable upon re-election. A director may not be removed by the shareholders in a general meeting without any reason before his term of office expires.

The Chairman and Vice-chairman shall be elected and removed by more than one-half of all members of the board of directors. The term of office of the Chairman and Vice-chairman shall be three (3) years respectively, which is renewable upon re-election.

If a director fails to attend the two consecutive board meetings in person or by another director appointed as his representative (an independent director shall comply with the provisions in "Section II Independent Directors"), he shall be deemed to be in default of performing his duty. The board of directors should recommend his removal to a shareholders' general meeting.

Article 101 The tenure of a director shall commence from the date when he takes office until the end of the tenure of the existing board of directors. If an election is

not conducted before the termination of the tenure of a director, the original director(s) shall continue to assume the responsibilities in accordance with the laws, administrative regulations, departmental rules and these Articles of Association before the new director(s) take office.

Article 102 A director may submit his resignation before the expiry of his term. He should deliver a written resignation letter to the board of directors. The board of directors shall disclose such resignation within two days.

Article 103 If a director's resignation will result in the number of directors falling below the legally prescribed minimum, his resignation shall not come into force until his vacancy is filled by another person. The original director(s) shall continue to assume the responsibilities in accordance with the laws, administrative regulations, departmental rules and these Articles of Association before the new director(s) take office.

Apart from the above, the resignation of a director shall become effective when the written resignation letter is submitted to the board of directors

Article 104 When a director resigns or his term of office expires, his obligation of confidentiality relating to the Company's trade secrets remains in force after the end of his office until such secrets become public information.

Article 105 A director whose term of office has not expired shall be held responsible for the Company's loss due to his departure without permission.

## **Section 2 Independent Directors**

Article 106 Independent Directors are directors who do not hold any positions in the Company other than as director and do not have a direct or indirect interest in the Company, its substantial shareholders and de facto controllers or a connection which may affect their independent and objective judgments.

Article 107 The independent directors should possess the following basic qualifications:

- (1) having the qualifications to assume the office of a director in a listed company according to the laws, administrative rules and other relevant provisions;
- (2) being independent as specified in Article 108 of these Articles of Association;
- (3) having the basic knowledge of the operation of a listed company and being familiar with relevant laws, administrative rules and regulations;
- (4) having not less than five years' working experience in the legal or economic field or other experiences required for performing the duty of an independent director;
- (5) other qualifications specified by laws, regulations and these Articles of

Association.

Article 108 An independent director should be independent. The following persons shall not act as independent directors:

- (1) persons working in the Company or its subsidiaries, as well as their immediate family members and major social relationships (immediate family members refer to spouse, parents, children, etc.; major social relationships refer to siblings, parents of spouse, spouse of children, spouse of siblings, siblings of spouse, etc.) ;
- (2) natural person shareholders who directly or indirectly hold more than 1% of the issued shares of the Company or who rank in the top ten shareholders of the Company, as well as their spouses, parents and children;
- (3) persons who work in entities being shareholders who directly or indirectly hold more than 5% of the issued shares of the Company who rank in the top five shareholders of the Company, as well as their spouses, parents and children;
- (4) persons who fell within the above three categories within the past year;
- (5) persons who provide financial, legal and consulting services to the Company or its subsidiaries or persons who work in the relevant organisations;
- (6) other people specified in laws, administrative regulations, departmental rules and other regulations;
- (7) other people specified in these Articles of Association;
- (8) other people specified by the China Securities Regulatory Commission;
- (9) other persons who are determined not to be independent according to the regulatory requirements of the Company's listing place.

Article 109 The board of directors, the supervisory committee, and the shareholders who hold more than 1% issued shares individually or jointly may nominate candidates for independent directors to be elected at the shareholders' general meeting.

More than one third of the members of the board of directors shall be independent directors, and at least one of the independent directors shall have accounting expertise.

Article 110 The term of office of the independent directors is the same with that of the other directors of the Company. The term is renewable upon re-election after expiry, but shall not be more than six (6) years.



The Company may terminate an independent director's duty in accordance with legal procedures before the expiry of his term of office.

Article 111 Apart from the powers granted to directors by the Company Law and other relevant laws, regulations and these Articles of Association, the independent directors shall have the following special powers:

- (1) Substantial connected transactions (determined in accordance with the standard promulgated from time to time by the regulatory organizations of the place where the Company's shares are listed) shall be subject to prior approval by the independent directors; before making a judgement, an independent director may appoint an intermediary institution to issue an independent financial advisory report as the basis for such judgment;
- (2) Propose of engaging or ceasing to engage an accounting firm;
- (3) Request the board of directors to convene an extraordinary general meeting;
- (4) Suggest the convening of a board meeting;
- (5) Publicly collect voting rights from the shareholders before the shareholders' general meeting.

Independent directors shall seek the consent of more than one-half of all the independent directors before exercising the powers under (1) to (5) above.

The matters under (1) and (2) shall be submitted to the board of directors for discussion after the approval of more than one-half of the independent directors.

With the consent of more than half of the members of the independent directors, the independent directors may engage external audit institutions or consultative institutions independently to provide audit and consultation for specific matters of the Company, the relevant costs of which shall be undertaken by the Company.

If the above recommendations are not accepted or the above powers cannot be exercised ordinarily, the Company shall disclose the circumstances accordingly.

Article 112 Apart from exercising the above powers, the independent directors shall express their independent views to the board of directors or the shareholders' general meeting in respect of :

- (1) nomination, appointment and dismissal of directors;
- (2) appointment or dismissal of senior management personnel;
- (3) remuneration of the Company's directors and senior management personnel;

- (4) existing or new loans or other transactions involving funds which are substantial (determined in accordance with the standard promulgated from time to time by the regulator organizations of the place where the Company's shares are listed) between the Company and the Company's shareholders, persons in actual control of the Company and their affiliates, and whether the Company has taken effective measures to recover the moneys owed to it;
- (5) a plan of profit distribution in cash which has not yet been formulated by the board of directors of the Company;
- (6) actions which, in the opinion of the independent directors, may prejudice the interests of minority shareholders;
- (7) other matters specified by these Articles of Association.

The independent directors should express one of the following views on the above-mentioned issues: consent; reservation with the reasons thereof; objection with the reasons thereof; inability to express their opinions and the impediments thereto.

In case of matters requiring disclosure, the Company should make a public announcement of the independent directors' opinion. If the independent directors fail to reach a consensus in their opinions, the board of directors should disclose each independent director's respective opinion.

Article 113 Independent directors shall attend the meetings of the board of directors on time, understand the production business and operation of the Company, and initiate investigation to gain information required for making decision.

Independent directors shall submit an annual working report at the annual general meeting of the Company providing explanation in respect of the performance of their duties.

Article 114 The independent directors shall perform their duties honestly and faithfully, and protect the Company's interests, especially paying attention to the protection of the legal rights of public shareholders.

The independent directors shall perform his duties independently, without being affected by major shareholders of the Company, persons in actual control or other entities or individuals which have conflicting interest with the Company, its major shareholders and persons in actual control.

Article 115 If an independent director fails to attend two consecutive board meetings in person or appoint another independent director to attend on his behalf, the board of directors shall, within thirty days from the date of occurrence of such fact, propose to convene a shareholders' general meeting to terminate his duties as an independent director.

Article 116 The Company shall set up a work system for the independent directors, ensuring that they have the same right of being informed as the other directors. The Company shall promptly provide the independent directors with relevant

materials and information, regularly notify them of the operation of the Company, and organise on-site visit by the independent directors if necessary.

Article 117 An independent director may tender his resignation before the expiry of his term of office. He should deliver a written resignation letter to the board of directors, which explains any circumstances that are relevant to his resignation or that he considers necessary for the shareholders and creditors to pay attention.

If an independent director's resignation results in the number of independent directors or member of the board of directors falling below the legally prescribed minimum or the minimum under these Articles of Association, or which results in the proportion of independent directors on the board of directors or its specialized committees not complying with the statutory requirements or the requirements of these Articles of Association, or where there is no accounting professional among the independent directors, before the appointment of a new independent director, the independent director shall perform his duties according to the laws, administrative regulations and requirements under these Articles of Association. The Company shall complete the by-election within sixty days from the date on which the independent director tenders his resignation.

Article 118 Matters relating to the system of independent directors which have not been set out in this section shall be handled according to the relevant laws and regulations.

### **Section 3 The Board of Directors**

Article 119 The Company shall have a board of directors consisting of eleven (11) directors, of which one shall be a staff representative, with one (1) chairman and one (1) vice-chairman.

The Board may establish special committees such as Strategic Committee, Audit Committee, Nomination Committee and Remuneration Committee as it deems appropriate. The special committees are to be comprised solely of Directors. The independent directors of the Company should take up the majority of the Audit Committee, the Nomination Committee and the Remuneration Committee and be responsible to act as conveners of meetings. The members of the Audit Committee should have at least one independent director who is an accounting professional.

Article 120 The board of directors is accountable to the shareholders in general meeting and exercises the following functions and powers:

- (1) to be responsible for the convening of the shareholders' general meeting and to report on its work to the shareholders in general meetings;
- (2) to implement the resolutions passed by the shareholders in general meetings;
- (3) to determine the Company's business plans and investment proposals;

- (4) to formulate the Company's annual preliminary and final financial budgets;
- (5) to formulate the Company's profit distribution proposal and loss recovery proposal;
- (6) to formulate proposals for the increase or reduction of the Company's registered capital and for the issuance of the Company's debentures;
- (7) to draw up plans for the substantial acquisition, repurchase of shares, merger, division or dissolution of the Company;
- (8) to decide on the Company's internal management structure;
- (9) to appoint or remove the Company's general manager and secretary of the board and to appoint or remove the deputy general manager(s) and other senior management (including the financial controller(s) of the Company) based on the recommendations of the general manager, to decide on their remuneration and matters relating to awards and penalty;
- (10) to formulate the Company's basic management system;
- (11) to formulate proposals for any amendment of these Articles of Association;
- (12) to decide on matters relating to foreign investment, purchase or sale of assets, mortgage of assets, provision of guarantees, entrusted assets management, connected transactions and external donations by the Company within the scope of authority conferred by the general meeting;
- (13) to manage disclosure of the Company's information;
- (14) to recommend to the shareholders' general meeting the appointment or replacement of the Company's accounting firm;
- (15) to receive the working report by the Company's management and examine their performance;
- (16) to approve an aggregate amount of provision for impairment of assets more than 10% of the absolute value of the latest audited net profit of the Company, to clear an amount of provision for impairment of assets more than 10% of the absolute value of the latest audited net profit of the Company and to execute in compliance with the relevant regulations on connected transaction if any provision and clearance of impairment of assets involves any connected transactions;
- (17) to be responsible for corporate governance matters, including: (1) formulating and reviewing corporate governance policies and practices of the Company; (2) reviewing and monitoring the training and continuous professional development of directors and senior management; (3) reviewing and monitoring the Company's compliance with laws and regulatory policies and practices; (4) formulating, reviewing and

monitoring employee and director codes of conduct and compliance manuals (if any); and (5) reviewing Company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report in the listing places;

- (18) to exercise any other powers specified by the law, administrative regulations, departmental rules, these Articles of Association and as authorised by the shareholders' general meeting.

Except as otherwise provided in these Articles of Association, other than the board of directors' resolutions in respect of the matters specified in subparagraphs (6), (7) and (11) of this Article which shall be passed by the affirmative vote of more than two-thirds of all the directors, the board of directors' resolutions in respect of all other matters may be passed by the affirmative vote of a simple majority of the directors.

Article 121 The board of directors shall lay down strict procedures to inspect and decide on the approval limit for foreign investment, purchase or sale of assets, mortgage of assets, provision of guarantees, entrusted assets management, connected transactions and external donations. For major investment projects, the board of directors shall organize the relevant experts and professional officers to conduct assessment for approval of the shareholders in a general meeting.

Article 122 With the approval of over two-thirds of all directors, the board of directors may make decisions on the following matters:

- (1) transactions falling within the following limit (whichever is stricter) with respect to purchase or sale of assets, external investment (including entrusted financial management), leasing of assets as lessor or lessee, restructuring of claims or debts, giving or receiving assets as a gift, entrusted or trusted asset or business management, entering of licence agreement, transferring or accepting the transfer of research and development projects:
1. the aggregated assets value (where book value and assessed value are available, whichever is higher) involved in a single transaction with amount more than 10% and below 50% of the Company's latest audited total asset value prepared in accordance with the PRC Generally Accepted Accounting Principles (GAAP); or more than 5% and less than 25% of the Company's latest published total assets value prepared in accordance with the International Financial Reporting Standards;
  2. the net assets (where book value and assessed value are available, the higher one shall prevail) involved in the subject of a single transaction (e.g. equity interest) represent more than 10% and less than 50% of the Company's latest audited net assets; or more than 5% and less than 25% of the total market value of the Company

(which is calculated by the respective average closing price of the Company's relevant class shares for the five business days immediately preceding the date of the transaction);

3. the latest annual income from principal operations of the subject of a single transaction accounted for more than 10% and less than 50% of the Company's latest audited income from principal operations for the latest financial year prepared in accordance with the PRC GAAP; or more than 5% and less than 25% of the Company's latest audited income from principal operations for the latest financial year prepared in accordance with the International Financial Reporting Standards;
4. the profit arising from the transaction represents more than 10% and less than 50% of the Company's audited net profit for the latest financial year prepared in accordance with the PRC GAAP; or more than 5% and less than 25% of the Company's audited net profit for the latest financial year prepared in accordance with International Financial Reporting Standards;
5. the latest annual income from principal operations of the subject of a single transaction (e.g. equity interest) accounted for more than 10% and less than 50% of the Company's latest audited income from principal operations for the latest financial year prepared in accordance with the PRC GAAP; or more than 5% and less than 25% of the Company's latest audited income from principal operations for the latest financial year prepared in accordance with the International Financial Reporting Standards;
6. the latest annual net profit of the subject of a single transaction (e.g. equity interest) accounted for more than 10% and less than 50% of the Company's latest audited net profit for the latest financial year prepared in accordance with the PRC GAAP; or more than 5% and less than 25% of the Company's latest audited net profit for the latest financial year prepared in accordance with the International Financial Reporting Standards;

The above transactions which involve public offer of securities that requires the approval of the China Securities Regulatory Commission shall be subject to approval of the shareholders' general meeting;

- (2) a single loan of more than 10% and less than 25% of the Company's latest audited net asset value and the debt ratio to the Company's assets remains under 80% after such financing;

the mutual provision of loans among overseas subsidiaries of the Company, where the accumulative amount of such mutual loans in 12 consecutive months account for more than 25% and less than 50% of the latest audited net asset value of the Company calculated on the basis of PRC accounting standards, provided that such mutual loans are in

compliance with laws, rules and relevant regulations of the relevant place(s) of incorporation of such overseas subsidiaries;

- (3) mortgages or pledges of assets the cumulative outstanding amount of which is less than 30% of the Company's most recently audited net asset value;
- (4) external guarantees and financial assistance not within the approval limit of the shareholders' general meeting as provided in the Articles of Association;
- (5) transactions involving connected transactions, which have to be conducted in accordance with the relevant regulations of competent securities authorities and the listing rules of the stock exchanges.

When the Company conducts other transactions apart from the provision of guarantee and financial assistance and entrusted financial management, applicable approval limit proportion of the board of directors regarding each transaction which is under the same category shall be calculated on the principle of accrued basis for twelve consecutive months. Transactions already approved by the Company in accordance with the principle of accrued basis shall not be included in the scope of accrual calculation.

Provision of regulatory authorities the Company is subject to within and outside the PRC that is of a stricter standard than this Article of Association shall apply accordingly.

Article 123 The directors of the Company shall ensure that the information disclosed by the Company is true, accurate and complete.

The directors of the Company shall sign a written confirmation of opinion in connection with the regular report of the Company.

Article 124 The Company has established a strict internal control system over external guarantee. The whole board of directors shall cautiously handle and strictly control the risk of debt created by external guarantee. In connection with the losses resulting from an inappropriate external guarantee or an external guarantee given not in compliance with the relevant laws and regulations the directors who shall be held responsible shall bear joint and several liabilities.

- (1) Review on guarantee and decision limitation

Before making any decision on external guarantee, the Company shall understand the creditability of the debtor and make a thorough analysis on the benefit and risk of such guarantee.

Any external guarantee given by the Company shall be approved by two-thirds of the board of directors or by the shareholders in a general meeting. Any connected director(s), shareholder(s) or shareholders controlled by de facto controllers being interested in a guarantee shall

excuse himself from voting on resolution relating to such guarantee.

The approval limit of the Company for an external guarantee shall be executed in accordance with (12) in the first paragraph of Article 41, Article 120 and (4) in the first paragraph of Article 122.

(2) Management in guarantee procedures

The external guarantee of the Company shall be made in form of written contract, and at the same time the supervisory committee, the secretary to the board of directors and the financial department shall be notified.

(3) Disclosure on provision of guarantee

The provision of external guarantee as approved by the Board or shareholders in general meetings should be disclosed in a preliminary report in a true, accurate, complete and timely manner. The obligation to disclose such matters should not be fulfilled by way of periodic reports.

The contents to be disclosed should include: (i) the respective resolutions passed by the Board or general meetings; (ii) the aggregate amount of external guarantee provided by the Company and its subsidiaries as at the date of disclosure; (iii) the aggregate amount of guarantees provided by the Company to its subsidiaries.

The above disclosure obligation should apply equally to the subsidiaries of the Company when providing external guarantees.

Within ten days upon the approval of the provision of external guarantee by the Company, the Company should file the relevant resolutions of the Board or the general meeting, minutes of the relevant meeting and financial statements of the guaranteed party with Shandong Provincial Securities.

Within ten days upon the signing of the guarantee agreement(s), the Company should file the relevant agreement(s) in respect of the external guarantee stamped with the Company's chop with Shandong Provincial Securities Regulatory Bureau of the China Securities Regulatory Commission .

Article 125 The Chairman of the board of directors shall exercise the following powers:

- (1) to preside over shareholders' general meetings and to convene and preside over meetings of the board of directors;
- (2) to check on the implementation of resolutions passed by the board of directors at directors' meetings;
- (3) to sign the securities certificates issued by the Company;



- (4) to sign the important documents of the board and other documents which should be signed by the Company's legal representative;
- (5) to exercise the rights of the legal representative;
- (6) in the event of emergency situations such as the occurrence of large-scale natural disasters, to take special steps in handling the Company's business according to the laws and the Company's interest; and to report to the Company's board of directors and shareholders' general meeting afterwards;
- (7) to exercise other powers conferred by the board of directors.

Article 126 The vice chairman shall assist the chairman in his work. Where the chairman is unable to or does not perform the duty, the vice chairman shall preside the meeting. Where the vice chairman is unable to or does not perform the duty, a director nominated by more than one-half of the directors shall perform the duty.

Article 127 Meetings of the Board shall be held at least four times every year and shall be convened by the chairman of the board of directors. All of the directors and supervisors should be notified about the meeting fourteen (14) days beforehand. An extraordinary meeting of the board of directors may be held under the following circumstances:

- (1) when the Chairman thinks it is necessary;
- (2) shareholders carrying voting rights of more than 10%;
- (3) when more than one-third directors so request;
- (4) when the supervisory committee so requests;
- (5) when the general manager so requests;
- (6) when more than half of the independent directors so request.

Article 128 Notice of meetings and extraordinary meetings of the board of directors shall be delivered in person, by facsimile, by express delivery service, by registered mail, or by other means of electronic communication. The time limits for the delivery of such notices are: for a board meeting, at least fourteen (14) days before the meeting; and for an extraordinary meeting, at least three (3) days before the meeting.

A notice of meetings shall contain the following contents: (1) date and place of the meeting; (2) duration of the meeting; (3) business to be discussed; and (4) date of notice.

Article 129 Notice of a meeting shall be deemed to have been given to any director who attends the meeting without protesting against, before or at its commencement,

any lack of notice.

Article 130 Resolution of the board of directors may be decided on a poll or show of hands.

As long as all directors can fully express their opinions, a board meeting or an extraordinary meeting of the board of directors may be held by way of facsimile, during which resolutions may be passed and signed by participating directors. All such directors shall be deemed to be present in person at the meeting. When the number of directors who have signified their consent to a resolution reaches the number set out in Article 120, a valid resolution shall be deemed to have been passed.

Article 131 Meetings of the board of directors shall be held only if more than half of the directors (including any alternate director appointed pursuant to Article 132 of the Company's Articles of Association) are present.

Each director shall have one (1) vote. A resolution of the board of directors must be passed by more than half of all of the directors of the Company.

When a meeting of the board of directors resolves on a connected transaction or an issue which is connected with any director or any of his/her associates (within the same meaning as defined in the Listing Rules of the Stock Exchange), the connected director shall refrain from discussion, have no voting power on the resolution and shall not act as proxy of other directors in exercising the voting right. Such director shall be disregarded for the purpose of calculating the quorum of the directors present at the meeting. The meeting of the board of directors shall be held with the attendance of a majority of the unconnected directors, and the resolutions of the board of directors meeting shall be passed by a majority of the unconnected directors. If the number of unconnected directors present at a board meeting is less than three, the matter shall be submitted to the shareholders' meeting for consideration.

Article 132 Directors shall attend the meetings of the board of directors in person. Where a director is unable to attend a meeting for any reason, he may by a written power of attorney appoint another director to attend the meeting on his behalf. The power of attorney shall set out the name of the attorney, issues under authorisation, scope of authorisation and valid period, which will be signed or sealed with the chop by the appointing director.

A Director appointed as a representative of another director to attend the meeting shall exercise the rights of a director within the scope of authority conferred by the appointing director. Where a director is unable to attend a meeting of the board of directors and has not appointed a representative to attend the meeting on his behalf, he shall be deemed to have waived his right to vote at the meeting.

Article 133 The board of directors shall keep minutes of resolutions passed at meetings of the board of directors. The minutes shall be signed by the directors present at the meeting, the board's secretary and the person who recorded the minutes. The directors shall be liable for the resolutions of the board of directors. If a resolution of the board of directors violates the laws, administrative regulations or the Company's Articles of Association and the Company suffers serious losses as a result thereof, the directors who participated in the passing of such

resolution are liable to compensate the Company therefor. However, if it can be proven that a director expressly objected to the resolution when the resolution was voted on, and that such objection was recorded in the minutes of the meeting, such director may be released from such liability.

The minutes of the board meeting shall include the following contents: (1) date and place of the meeting and name of the convener; (2) names of participating directors and proxies; (3) agenda; (4) main points of directors' speeches; (5) voting method for each matter and its result (the voting result should specify the number of votes for and against and abstentions).

Minutes of the board meeting shall be kept as the Company's record for a period of not less than ten years.

Article 134 The board of directors shall formulate its rules of meetings to ensure its working efficiency and scientific decision.

The rules of meetings of the board of directors shall be drawn up by the board of director of the Company and be considered and approved at the shareholders' general meeting.

## **CHAPTER 8 SECRETARY OF THE BOARD OF DIRECTORS**

Article 135 The Company shall have one (1) secretary to the board of directors. The secretary shall be a senior officer of the Company, who is nominated by the chairman of the board of directors, appointed or removed by the board of directors and accountable to the board of directors.

Article 136 The secretary of the Company's board of directors shall be a natural person who has the requisite professional knowledge and experience, and shall be appointed by the board of directors. His/Her primary responsibilities are as follows:

- (1) to prepare and deliver the board's and general meeting's reports and documents required by competent authorities in China;
- (2) to prepare and organise board meetings and shareholders' general meetings; to take minutes of the meetings and to keep the meetings' documents and records;
- (3) to be responsible for the Company's information disclosure and to ensure the timeliness, accuracy, legality, authenticity and completeness of the Company's disclosure;
- (4) to be responsible for the Company's management for investors relation;
- (5) to actively co-operate with the independent directors in performing their duties;
- (6) to ensure that the Company's registers of members are properly established, and that persons entitled to receive the Company's records and documents are furnished therewith without delay;
- (7) other responsibilities specified in these Articles of Association and the listing rules of the stock exchanges where the Company's shares are listed.

## **CHAPTER 9 GENERAL MANAGER AND SENIOR MANAGEMENT**

Article 137 The Company shall have a general manager who shall be appointed or

dismissed by the board of directors. The Company shall have six to ten deputy general managers who will assist the general manager in his work, a financial controller and a chief engineer.

The board of directors may decide to appoint a member of the board of directors to act concurrently as the senior management. However, the number of directors and staff director who act concurrently as the senior management shall not exceed one half of the total number of directors. Any person serving as officers (excluding directors) at the Company's controlling shareholder and de factor controller unit shall not act as the senior officer of the Company.

The remuneration for the senior management are paid only by the Company rather than by the controlling shareholder

The senior management shall serve for a term of three (3) years. The term is renewable upon re-election.

The tenure of a senior officer shall commence from the date when he takes office until the end of the tenure. If an appointment is not made in time upon the termination of the tenure of the senior officer, the original senior officer(s) shall assume the responsibilities in accordance with the laws, administrative regulations, departmental rules and these Articles of Association before the new senior officer(s) take office.

Article 138 The general manager shall be accountable to the board of directors and shall exercise the following functions and powers:

- (1) to be in charge of the Company's production, operation and management, to organise the implementation of the resolutions of the board of directors and report to the board of directors;
- (2) to organise the implementation of the Company's annual business plan and investment proposal;
- (3) to draft plans for the establishment of the Company's internal management structure;
- (4) to draft the Company's basic management system;
- (5) to formulate basic rules and regulations for the Company;
- (6) to propose the appointment or dismissal of the Company's senior management;
- (7) to appoint or dismiss management personnel other than those required to be appointed or dismissed by the board of directors;
- (8) to draw up a package of staff's salary, benefits, awards and penalty, as well as to decide the appointment and dismissal of the staff of the Company;

- (9) to request the convening of an extraordinary meeting of the board;
- (10) other powers conferred by these Articles of Association and the board of directors.

Article 139 The general manager may, by means such as through the manager's meeting of the Company, make decisions on the following operational matters:

- (1) transactions falling within the following limit (whichever is stricter) with respect to purchase or sale of assets, external investment (including entrusted financial management), leasing of assets as lessor or lessee, restructuring of claims or debts, giving or receiving assets as a gift, entrusted or trusted asset or business management, entering of licence agreement, transferring or accepting the transfer of research and development projects:
  - 1. the aggregate assets value (where book value and assessed value are available, whichever is higher) involved in a single transaction with amount below 10% of the Company's latest audited total asset value prepared in accordance with the PRC GAAP; or less than 5% of the Company's latest published total asset prepared in accordance with the International Financial Reporting Standard;
  - 2. the net assets (where book value and assessed value are available, the higher one shall prevail) of the subject of a single transaction (e.g. equity interest) represent less than 10% of the Company's latest audited net assets; or less than 5% of the Company's total market value (which is calculated by the respective average closing price of the Company's relevant class shares for the five business days immediately preceding the date of the transaction);
  - 3. the latest annual income from principal operations of the subject of a single transaction accounts for less than 10% of the Company's latest audited income from principal operations for the latest financial year prepared in accordance with the PRC GAAP; or less than 5% of the Company's latest audited income from principal operations for the latest financial year prepared in accordance with the International Financial Reporting Standards;
  - 4. the profit arising from the transaction represents less than 10% of the Company's audited net profit for the latest financial year calculated in accordance with PRC GAAP; or less than 5% of the Company's audited net profit for the latest financial year calculated in accordance with International Financial Reporting Standards;
  - 5. the latest annual income from principal operations of the target of a single transaction (e.g. equity interest) accounts for less than 10% of the Company's latest audited income from principal operations for the latest financial year prepared in accordance with the PRC

GAAP; or less than 5% of the Company's latest audited income from principal operations for the latest financial year prepared in accordance with the International Financial Reporting Standards;

6. the latest annual net profit of the target of a single transaction (e.g. equity interest) accounted for less than 10% of the Company's latest audited net profit for the latest financial year prepared in accordance with the PRC GAAP; or less than 5% of the Company's latest audited net profit for the latest financial year prepared in accordance with the International Financial Reporting Standards.
- (2) a single loan of less than 10% of the Company's latest audited net asset value and the debt ratio to the Company's assets ratio of the Company remains under 50% after such financing;

the mutual provision of loans among overseas subsidiaries of the Company, where the accumulative amount of such mutual loans in 12 consecutive account for not more than 25% of the latest audited net asset value of the Company calculated on the basis of PRC accounting standards, provided that such mutual loans are in compliance with laws, rules and relevant regulations of the relevant place(s) of incorporation of such overseas subsidiaries;

- (3) security or pledges of assets, a single amount of which is less than 5%, and a cumulative amount of which is less than 20% , of the Company's latest audited net asset value.

Where decisions on operational matters involve connected transactions, such decisions shall be implemented in accordance with the relevant requirements of connected transactions.

Provision of regulatory authorities the Company is subject to within and outside the PRC that is of a stricter standard than this Article will be applicable accordingly.

Article 140 The general manager shall, upon requests of the board of directors or supervisory committee, report to the board of directors or the supervisory committee on the signing and implementation of the Company's material contracts, usage of capital and profit and loss. The general manager shall ensure authenticity of the reports.

Article 141 Before drawing up a package concerning staff's immediate interests, such as staff's salary, benefits, safe production and labour, labour insurance, and dismissal of staff, the general manager should consult the trade union and the meeting of staff representatives.

Article 142 The general manager shall formulate working rules of general manager and submit them to the board of directors for approval.

Article 143 The general manager's working rules shall include the following: (1) conditions and procedures of convening a general manager's meeting, as well as the participants; (2) specific duties and division of labour among the senior management; (3) the Company's usage of funds and assets, limits on signing of material contracts and reporting system to the board of directors and supervisory committee; and (4) other matters which the board considers necessary.

Article 144 The senior management shall act faithfully to perform their duties and safeguard the best interests of the Company and all shareholders. If the senior management of the Company fails to perform their duties faithfully or violates their obligations of integrity and causes damage to the interests of the Company and the public shareholders, they shall be liable for compensation in accordance with laws.

Article 145 The senior management of the Company shall ensure that the information disclosed by the Company is true, accurate and complete.

The senior management of the Company shall sign a written confirmation of opinion in connection with the regular report of the Company.

Article 146 The fiduciary duties concerning the directors in Article 160 and the duties of diligence in Article 161 (4) - (6) are also applicable to the senior management.

Article 147 A senior officer may submit his resignation before the expiry of his term. The specific procedures and measures for resignation by the senior management shall be governed by the labour contract being entered into by the senior officer and the Company.

## **CHAPTER 10 SUPERVISORY COMMITTEE**

Article 148 The Company shall have a supervisory committee.

Each supervisor shall serve for a term of three (3) years, which term is renewable upon re-election and re-appointment.

Article 149 The supervisory committee shall have one chairman.

The election or removal of the chairman of the supervisory committee shall be determined by two-thirds or more of the members of the supervisory committee.

The chairman shall serve for a term of three (3) years, which term is renewable upon re-election and re-appointment.

Article 150 The tenure of a supervisor shall commence from the date when he takes office until the end of the tenure. If an appointment is not made in time upon the termination of the tenure of the supervisor so that a quorum of the supervisory committee is not met, the original supervisor(s) shall assume the responsibilities in accordance with the laws, administrative regulations,



departmental rules and these Articles of Association before the new supervisor(s) take office.

Article 151 The supervisors of the Company shall ensure that the information disclosed by the Company is true, accurate and complete, and sign the written confirmation for the periodic reports.

Article 152 The supervisory committee is to be comprised of three members. Members of the supervisory committee should be comprised of shareholder representative supervisors and an appropriate proportion of employee representative supervisors. The number of employee representative supervisors should not be less than one-third of the total number of the members of the supervisory committee. Shareholder representative supervisors are elected and removed by general meetings and employee representative supervisors are elected and removed by democratic elections of the employees.

Article 153 Under normal circumstances, the Company's supervisory committee shall submit a list of candidates for supervisors (except for staff candidates for supervisors) to the shareholders' general meeting. The Company's shareholders and board of directors may nominate the candidates for supervisors according to these Articles of Association.

Article 154 The directors and senior managers shall not act concurrently as supervisors.

Article 155 Meetings of the supervisory committee shall be held at least once every six months, and shall be convened by the chairman of the supervisory committee. The supervisors may propose to convene the extraordinary meeting of the supervisory committee.

Meetings of the supervisory committee shall be convened and presided over by the chairman of the supervisory committee. Where the chairman of the supervisory committee is unable to or does not perform the duty, a supervisor nominated by more than one-half of the supervisors shall perform the duty.

If a supervisor fails to attend two consecutive meetings of supervisory committee, he shall be deemed to have failed to discharge his duties. The shareholders' general meeting or staff representatives' meeting shall replace him.

Article 156 The supervisory committee shall be accountable to the shareholders in a general meeting and shall exercise the following functions and powers in accordance with law:

- (1) to review the regular reports of the Company prepared by the board of directors and give its opinion of review;
- (2) to inspect the Company's financial position;

- (3) to supervise the directors and senior management and to propose removal of a director or a senior officer who has contravened any law, administrative regulation, these Articles of Association or resolutions passed at a shareholders' general meeting;
- (4) to demand any director or senior officer who acts in a manner which is harmful to the Company's interest to rectify such behaviour;
- (5) to check the financial information such as the financial report, business report and plans for distribution of profits to be submitted by the board of directors to the shareholders' general meetings and to authorise, in the Company's name, publicly certified and practising accountants to assist in the re-examination of such information should any doubt arise in respect thereof;
- (6) to propose to convene a shareholders' extraordinary general meeting and an extraordinary board meeting. Where the board of directors fails to convene or hold the general meeting of shareholders in accordance with the provisions of the Company Law, to convene and hold the shareholders' general meeting;
- (7) to propose resolutions to the shareholders' general meeting;
- (8) to initiate proceedings against the directors and senior management in accordance with the relevant provisions of the Company Law;
- (9) to conduct investigation into any identified irregularities in the Company's operations, and if necessary, to engage an accounting firm, law firm or other professionals to assist in their work at the expenses of the Company;
- (10) other functions and powers specified in these Articles of Association.

Supervisors have the right to attend meetings of the board of directors, and make queries or recommendations to the matters resolved by the board of directors.

Article 157 Notices of meetings and extraordinary meetings of the supervisory committee shall be delivered in person, by facsimile, by express delivery service, by registered mail or by other means of electronic communication. The time limits for the delivery of such notices are: for a supervisory meeting, at least five (5) days before the meeting; and for an extraordinary supervisory meeting, at least two (2) days before the meeting.

Resolutions of the supervisory committee shall be passed by the affirmative vote of more than half of all of its members. Resolutions may be passed by a show of hands or by poll.

Notice of meetings shall contain the following contents: date and place of meeting; duration of meeting; business to be discussed; and date of notice.

Minutes shall be taken of the meetings of the supervisory committee. The participating supervisors and the person who records the minutes should sign the minutes. The supervisors shall have the right to request the record of his speech in the meeting for a particular illustrative description. The minutes of the meetings of the supervisory committee shall be kept as the Company's record for at least ten years.

Article 158 The supervisory committee shall formulate its rules of meetings to ensure its working efficiency and scientific decision.

The rules of meetings of the supervisory committee shall be drawn up by the supervising committee of the Company and be considered and approved at the shareholders' general meeting.

## **CHAPTER 11 THE QUALIFICATIONS AND DUTIES OF THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE COMPANY**

Article 159 A person may not serve as a director, supervisor or senior officer of the Company if any of the following circumstances apply:

- (1) a person who does not have or who has limited capacity for civil conduct;
- (2) a person who has been sentenced for corruption, bribery, infringement of property or misappropriation of property or other crimes which destroy the social economic order, where less than a term of five (5) years has lapsed since the sentence was served, or a person who has been deprived of his political rights and not more than five (5) years have lapsed since the sentence was served;
- (3) a person who is a former director, factory manager or manager of a company or enterprise which has been dissolved or put into liquidation as a result of mismanagement and who was personally liable for the winding up of such company or enterprise, where less than three (3) years have elapsed since the date of completion of the insolvent liquidation of the company or enterprise;
- (4) a person who is a former legal representative of a company or enterprise the business licence of which was revoked due to violation of law and who are personally liable therefor, where less than three (3) years have elapsed since the date of the revocation of the business licence;
- (5) a person who has a relatively large amount of debts which have become overdue;
- (6) the person is currently being prohibited from participating in securities market by the CSRC and such barring period has not elapsed;
- (7) other circumstances specified by the laws, administrative regulations and rules.

For any election, appointment or employment of a director, supervisor or senior management in contravention of the provisions prescribed by this Article, such election, appointment or employment shall be void and null. Where a director, supervisor or senior management fall into any of the aforesaid circumstances in his term of office, the director, supervisor or senior management shall be removed from office.

Article 160 The fiduciary duties to be discharged by directors in complying with the laws, administrative regulations and these Articles are as follows:

- (1) not to abuse his or her position to accept bribes or other illegal income or misappropriate the properties of the Company;
- (2) not to misappropriate the Company's funds;
- (3) not to use the Company's assets or funds to set up deposit accounts in his or her own name or in the any other name;
- (4) not to violate the provisions of these Articles and lend the Company's funds or to use the Company's assets to guarantee the debts of others with the approval of the shareholders' general meeting or the board of directors;
- (5) not to enter into contracts or carry out transactions with the Company in contravention of the provisions of these Articles of Association or without the consent of the shareholders' general meeting;
- (6) not to abuse his or her positions to obtain business opportunities for himself or others which should belong to the Company, to engage in same business of the Company by himself or for others;
- (7) not to misappropriate commissions derived from transactions entered into by the Company;
- (8) not to disclose confidential information of the Company without permission;
- (9) not to hamper the Company's interests through its connected relationships;
- (10) to perform other fiduciary duties as required by the laws, administrative regulations, departmental rules and these Articles of Association.

The income derived by the directors in violating this Article shall belong to the Company. Any loss incurred by the Company as a result of violating this Article shall be indemnified by the directors.

Article 161 The duties of diligence to be discharged by directors in complying with the laws, administrative regulations and these Articles of Association are as

follows:

- (1) to exercise the rights conferred upon them in a prudent, serious and diligent manner so as to ensure that the commercial activities carried out by the Company are in compliance with the laws and administrative regulations, as well as the requirements of various economic policies of the State and falls within the scope of business provided in the business license;
- (2) to treat all shareholders equally;
- (3) to be familiar with the Company's business operation and management;
- (4) to sign a written confirmation or opinion in connection with the regular reports of the Company and to ensure that the information disclosed by the Company is true, accurate and complete;
- (5) to inform the supervisory committee of the relevant circumstances and information that is in accordance with the facts, and shall not impede the supervisory committee or a supervisor from exercising their powers;
- (6) to perform other fiduciary duties as required by the laws, administrative regulations, departmental rules and these Articles of Association.

Article 162 Directors, supervisors and senior management of the Company shall have legal responsibilities and obligations with regard to the safe-keeping of the funds of the Company.

The Company shall not provide, directly or indirectly, funds to the controlling shareholder of the Company and its related parties in the following manner:

1. To lend funds of the Company to the controlling shareholder and its related parties, irrespective of whether it is interest-free;
2. To provide entrusted loan to related parties through banks or other financial institutions;
3. To entrust the controlling shareholder of the Company and its related parties with investments;
4. To issue commercial bill of exchange not substantiated by actual transactions for the controlling shareholder of the Company and its related parties;
5. To repay debts for the controlling shareholder of the Company and its related companies; and
6. In other manners prescribed by the China Securities Regulatory Commission.

Article 163 Shall directors, senior management of the Company assist, connive the

controlling shareholder of the Company and its related parties to appropriate

assets of the Company, the Board shall, subject to the seriousness of such events, take internal disciplinary actions, serve monetary punishments, pursue legal responsibilities against directly responsible persons; In case of serious events, the materially responsible senior management shall be removed from office, and such materially responsible director shall be proposed to the shareholders' general meeting to be removed from office.

Shall there be events in which the controlling shareholder of the Company and its related parties have appropriated funds of the Company or its subsidiaries for non-operational purposes which impose adverse impacts on the Company, the Company shall, with reference to the preceding paragraph and subject to the seriousness of such events, impose punishments on such directly responsible person(s).

Article 164 The fiduciary duties and duties of diligence of the directors, supervisors and senior management may not necessarily be discharged by the resignation of the directors, supervisors, and senior management of the Company becoming effective or expiry of the term with the procedures for handover having been duly completed. The duty of confidentiality in respect of trade secrets of the Company survives the termination of their tenure. Other duties may continue for such period as the principle of fairness may require depending on the amount of time which has lapsed between the termination and the act concerned and the circumstances and the terms under which the relationship between the relevant director, supervisor, general manager, deputy general manager and the senior officer on the one hand and the Company on the other hand was terminated.

Article 165 Without lawful authorization of these Articles or the board of directors, a director of the Company may not act personally on behalf of the Company or the board of directors. If he acts personally, he shall declare his own position and identity in advance where the acting would cause a third party to believe reasonably that he is acting on behalf of the Company or the board of directors.

Article 166 Any loss incurred by the Company as a result of the violation of laws, administrative regulations, departmental rules and these Articles of Association by the directors, supervisors and senior management in performing the Company's duties shall be indemnified by the directors, supervisors and senior officers.

## **CHAPTER 12 FINANCIAL AND ACCOUNTING SYSTEMS, PROFIT DISTRIBUTION AND INTERNAL AUDIT**

Article 167 The Company shall establish its financial and accounting systems in accordance with laws, administrative regulations and the requirements of the competent authorities of PRC.

Article 168 The Company shall submit its annual reports, interim financial report and quarterly financial report to the competent securities authorities under the State Council and relevant stock exchange within four months after the expiration of each fiscal year, within two months after the expiration of the first six months

of each fiscal year and within one month after the expiration of the first three (3) months and the first nine (9) months of each fiscal year, respectively.

The above financial reports shall be prepared and announced in accordance with the provisions of the law, administrative regulations and rules of CSRC and stock exchanges.

Article 169 The Company shall not keep accounts other than those required by law. No assets of the Company shall be used to set up deposit accounts in any other name.

Article 170 In the distribution of after-tax profits of a financial year, 10% of the profits shall be allocated to the statutory common reserve. No further allocation to the statutory common reserve is required where such reserve exceeds 50% of the registered capital of the Company.

Where the statutory common reserve is insufficient to make up losses of the previous financial year, the profits of a financial year shall be applied to make up such losses before allocation to the statutory common reserve shall be made in accordance with the above provision.

Upon the approval of the shareholders in general meeting, where the Company has made allocation to the statutory common reserve from the profits after tax, the Company may make allocation to the discretionary common reserve.

Any surplus of profits after the Company has made up losses and made allocations to the statutory common reserve may be distributed as dividends to shareholders in proportion to their shareholdings.

Where the Company or the board of directors, in breach of the above provisions, distribute dividends to shareholders before the Company has made up losses and made allocations to the statutory common reserve, such dividends distributed in breach of the above provisions shall be returned to the Company.

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

Article 171 Capital common reserve fund includes the following items:

- (1) premium on shares issued at a premium price;
- (2) any other income designated for the capital common reserve fund by the regulations of the finance regulatory department of the State Council.

Article 172 The common reserve fund of the Company shall be applied for the following purposes:

- (1) to compensate losses;
- (2) to expand the Company's production and operation;



- (3) to convert the common reserve fund into share capital in order to increase its capital. The Company may convert its common reserve fund into share capital with the approval of shareholders in a general meeting. When such conversion takes place, the Company shall either distribute new shares in proportion to the existing shareholders' number of shares, or increase the par value of each share, provided, however, that when the statutory common reserve fund is converted to share capital, the balance of the statutory common reserve fund may not fall below 25 % of the registered capital before the conversion.

Capital reserve fund shall not be used to make up losses of the Company.

Article 173 The Company's profit distribution policy shall remain consistent and stable, whilst the Company's long-term interests, the overall interests of all shareholders, and the sustainable development of the Company shall also be considered.

Article 174 The profit distribution policies of the Company

- (1) Form and interval of profit distribution

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

In the event that conditions for distribution of cash dividend are met, cash dividend shall be distributed prior to share dividend.

Final dividends shall be paid once a year. The shareholders shall by way of an ordinary resolution authorise the board of directors to declare and pay final dividends of the Company. The Company may distribute interim cash dividends upon obtaining approval from the board of directors and the shareholders at the general meeting. There should at least be a 6-month accounting period interval when the Company distributes cash dividends.

- (2) Conditions for distributing cash dividends and proportion of cash dividends

On the premise of securing the Company's sustainable development and provided that the Company has recorded a profit in a particular year and that its accumulated undistributed profit is positive, the Company's cash dividends shall account for approximately 35% of the Company's net profit after statutory reserve for that particular year, unless the Company has scheduled significant investments or significant cash requirements.

Significant investments or significant cash requirements mean investments or cash requirements scheduled for the next 12 months that are equivalent to or exceed 50% of the total profit of the Company realized in the most recent financial year.

(3) Conditions for distributing share dividends

On the premises that the Company's operation is in good condition and that the Board considers the distribution of share dividends is beneficial to the overall interest of all shareholders of the Company due to a mismatch between the Company's stock price and its scale of share capital and in other necessary circumstances, the Company may distribute dividends in the form of shares.

(4) Different cash dividend policy

The Company shall, after considering various factors such as the characteristics of the industry where it operates, stage of development, business model, profitability and whether there are significant capital expenditure arrangements, propose different cash dividend policy based on the following situation according to statutory procedures:

- (i) If the Company is at a mature stage of development with no significant capital expenditure arrangement at the time of profit distribution, cash dividend payout ratio of such profit distribution shall be at least 80%;
- (ii) If the Company is at a mature stage of development with significant capital expenditure arrangement at the time of profit distribution, cash dividend payout ratio of such profit distribution shall be at least 40%;
- (iii) If the Company is in a growing stage of development with significant capital expenditure arrangement at the time of profit distribution, cash dividend payout ratio of such profit distribution shall be at least 20%; and
- (iv) If the stage of development of the Company is difficult to be distinguished but involves significant capital expenditure arrangement, the distribution can be arranged in accordance with the above provision.

Article 175 Procedures on approving the profit distribution plan

The Board is responsible for preparing the profit distribution plan. In the process of determining the profit distribution plan, the Board shall discuss with the independent directors and the supervisory committee adequately, shall adopt different approaches to listen to the opinions of public shareholders, and examine the rationality of the profit distribution plan; the Board shall also study and demonstrate matters including the timing, conditions, the lowest percentage, the conditions of adjustment and determination procedures of distributing cash dividends of the Company.

Before the specific proposals for distributing cash dividends are considered at the general meeting, the Company shall communicate with the shareholders, especially the minority shareholders, through various channels, such that the opinions and requests of the public shareholders can be fully heard, and their concerns can be responded in a timely manner.

The independent directors can gather views from minority shareholders in order to propose a distribution proposal, and submit it directly to the Board of Directors for its approval. The main procedures on approving the profit distribution plan are as follows:

- (1) Independent directors shall express their independent opinions and approved by more than half of the independent directors;
- (2) considered and approved by more than half of all directors;
- (3) considered and approved by more than half of all supervisors;
- (4) considered and approved at the shareholders' general meeting by way of an ordinary resolution. During the general meeting when discussing and considering the matters relating to profit distributing, various methods such as internet voting, and establishing an investors communication forum on the Company's website can be used to give public shareholders the opportunity to express their opinions and enquiries.

#### Article 176 Adjustment to profit distribution policy

When the Company's external operation environment experiences significant changes and thus significantly affect the Company's production operations, or when the Company experiences relatively major changes in its operations such that the implementation of the current profit distributing policy may severely affect the sustainable development of the Company, the Company can make adjustments to the profit distributing policy in that particular year in accordance with the procedures as follow:

- (1) the Board shall be responsible for preparing a written report setting out the reasons for the adjustments to be made to the profit distribution policy for that particular year;
- (2) independent directors shall give their independent opinion thereon, and adjustments must be approved by more than half of the independent directors;
- (3) considered and approved by not less than two-thirds of all directors;
- (4) considered and approved by not less than two-thirds of all supervisors;
- (5) considered and approved at the shareholders' general meeting by way of a special resolution. The Company should provide internet voting for the convenience of public shareholders.

Article 177 If the conditions for distributing cash dividends are satisfied, but such cash distribution has not been made due to the special circumstances as set out in Article 174, the Company should disclose in periodic reports matters such as the reason for not distributing cash dividends, the exact use of the funds retained by the Company as well as the expected proceeds from the investment.

Independent directors should give their independent opinion thereon.

- Article 178 The Company shall calculate, declare and pay dividends and other amounts which are payable to holders of Domestic- Invested Shares in Renminbi. The Company shall calculate and declare dividends and other payments which are payable to holders of Overseas-Listed Foreign- Invested Shares in Renminbi, and shall pay such amounts in the local currency of the place in which such Overseas-Listed Foreign- Invested Shares are listed (if such shares are listed in more than one place, then the currency of the principal place on which such shares are listed as determined by the board of directors).
- Article 179 The Company shall pay dividends and other amounts to holders of Foreign- Invested Shares in accordance with the relevant foreign exchange control regulations of the State. If there is no applicable regulation, the applicable exchange rate shall be the average exchange reference rate of Renminbi to the relevant foreign currency announced by the Bank of China during five (5) working days prior to the announcement of payment of dividend and other amounts.
- Article 180 In case of any use of the Company's capital not in compliance with the relevant laws and regulations by any shareholder, the cash dividends to be distributed to such shareholder shall be deducted by the Company in compensation for the shareholder's use of the Company's capital.
- Article 181 The Company implements an internal audit system. Special audit personnel will conduct internal audit supervision on the Company's income and expenditure and economic activities.
- Article 182 The internal audit system and the duties of the audit personnel shall take effect upon approval by the board of directors. The person in charge of the audit shall be accountable and report to the board of directors.

### **CHAPTER 13 APPOINTMENT OF AUDITORS**

- Article 183 The Company shall appoint an independent firm of accountants in compliance with the Securities Law to audit its financial statements, verify its net assets and other relevant consultancy services and other businesses.
- Article 184 The auditors appointed by the Company shall hold office from the conclusion of the annual general meeting of shareholders at which they were appointed until the conclusion of the next annual general meeting of shareholders.
- Article 185 The appointment of the accounting firm of the Company shall be decided at a shareholders' general meeting, and the board of directors shall not appoint the accounting firm prior to obtaining approval at the shareholders' general meeting.
- Article 186 The Company shall ensure the provision of true and complete accounting

evidences, accounting books, financial statements and other financial information to the accounting firm it has engaged with withheld, omission and fraud.

Article 187 The audit fee of an accountancy firm shall be determined by the shareholders in a general meeting.

Article 188 If the Company decides to remove such accountancy firm or not to renew the appointment thereof, the accountancy firm shall be notified seven (7) days prior. Such accountancy firm shall be entitled to make representations at the shareholders' general meeting. Where the accountancy firm resigns from its position as the Company's auditors, it shall make clear to the shareholders in a general meeting whether there has been any impropriety on the part of the Company.

#### **CHAPTER 14 INSURANCE**

Article 189 The different types or items of the Company's insurance shall be insured in accordance with the relevant insurance law in China.

#### **CHAPTER 15 LABOUR AND PERSONNEL MANAGEMENT SYSTEMS**

Article 190 The Company may at its discretion employ and dismiss employees and enter into employment contracts with all employees based on the business development needs of the Company and in accordance with the requirements of the laws and administrative regulations of the State.

Article 191 The Company may formulate its labour and payroll systems and payment methods in accordance with the relevant laws and regulations of the State and the economical benefits of the Company.

Article 192 The Company shall endeavour to improve its employee benefits and to continually improve the working environment and living standards of its employees.

Article 193 The Company shall provide pension, medical, educational, occupier disability and unemployment insurance for its employees and put in place a social security system, in accordance with the relevant laws and regulations of the State.

#### **CHAPTER 16 PARTY ORGANIZATION**

Article 194 In accordance with the "Constitution of the Communist Party of China" and relevant regulations, the Company shall establish the Party Committee of Yankuang Energy Group Company Limited of the Communist Party of China (hereinafter referred to as the "Party Committee of the Company") and the Discipline Inspection Committee of Yankuang Energy Group Company Limited of the Communist Party of China (hereinafter referred to as the "Discipline Committee of the Company"), and shall establish working organs of the Party as well as allocate and maintain staff members to handle Party

affairs. Candidates of the secretary, deputy secretary and members of the Party Committee of the Company, and secretary of the Discipline Committee of the Company shall be examined and approved according to the personnel management authority.

Article 195 Pursuant to the relevant regulations, the Party Committee of the Company shall be of a hierarchical structure including grassroots Party Committees, general Party branch Committees and Party branch Committees in accordance with relevant regulations to carry out Party work properly and deploy personnel to be responsible for Party affairs. The Company shall provide basic conditions required for the activities of the Party organisation, prepare funding for the working expenses of Party organisation. The Party organisation of the Company conducts general elections on a regular basis in accordance with the Regulations on the Election of Grassroots Organisations of the Communist Party of China.

Article 196 The Party Committee of the Company shall play a leading role, set the right direction, head for a broad vision, secure the implementation, discuss and decide on major issues of the Company in accordance with the regulations. Material matters relating to operation and management shall be first deliberated and discussed by the Party Committee before they are submitted to the board of directors or the management of the Company for determination. The primary responsibilities of the Party Committee are:

- (1) to enhance the political setup of the Company' Party, adhere to and implement the fundamental system, basic system and important system of socialism with Chinese characteristics as well as educate and guide all Party members to maintain a high degree of consistency with the Party Central Committee with Comrade Xi Jinping as the core in the political stance, political direction, political principles and political path;
- (2) to thoroughly study and implement Xi Jinping's Thought on Socialism with Chinese Characteristics in the New Era, learn and propagate the Party's theory, thoroughly implement the Party line, principles and policies as well as supervise and guarantee the implementation of major strategy deployments of the Party Central Committee and resolutions of the higher level Party organisation in the Company; push the Company forward in taking up its responsibilities and missions, focus on its main responsibilities and businesses, serve the major national and provincial strategies, and fully fulfill its economic, political and social responsibilities;
- (3) to investigate and discuss the significant operation and management matters of the Company and support the shareholders' general meeting, the board of directors, the supervisory committee and the management to exercise their rights and perform their duties in accordance with the laws;
- (4) to strengthen the leadership and gatekeeping role in the process of selection and appointment of personnel of the Company, and the building of the leadership team, cadre and talent teams of the Company;

- (5) to undertake the main responsibility of the Company in Party governance comprehensively with strict discipline, lead and support the discipline inspection and supervision agency to fulfill its supervisory and disciplinary responsibilities, to strictly enforce political disciplines and political rules, and to extend the full and strict governance over the Party to the grassroots;
- (6) to strengthen the building of work style of the Party in the Company, strictly implement the spirit of the eight- point code of conduct issued by the Party Central Committee and take a firm stand against undesirable work styles, such as formalism, bureaucracy, hedonism and extravagance, especially formalism and bureaucracy;
- (7) to strengthen the building of grassroots Party organisations and the Party member team, and unite and lead employees to actively devote themselves to the reform and development of the Company;
- (8) to lead the ideological and political work, the spirit and civilisation construction and to unite in work line of the Company, as well as to lead mass organisations such as the Labor Union, Communist Youth League and women’s organisation of the Company.

Article 197 The Company shall formulate a list of issues to be studied to further clarify the power and duties of the Party Committee and other authority units such as the board of directors, the supervisory committee and the senior management.

The Party Committee strictly controls the decision-making proposals authorized by the board of directors to prevent non compliant authorization and excessive authorization. In general, the Party Committee does not conduct any prior study or discussion of the decision-making matters authorized by the board of directors to the Chairman and the management.

Article 198 The Company shall adhere and improve the leadership mechanism of “Dual Entry and Cross Appointment”. Eligible members of the Party Committee may be appointed to join the board of directors and the management team through statutory procedures, and eligible Party members in the board of directors and the management may be appointed to join the Party Committee in accordance with the relevant regulations and procedures.

Article 199 The Party Committee of the Company implements the system of combining collective leadership with individual division of responsibilities. Members of the leadership team of the Party Committee who are going to be the members of the board of directors, the supervisory committee and the senior management must implement the decisions of the Party Committee.

## **CHAPTER 17 TRADE UNIONS**

Article 200 The Company's employees may form trade unions, carry on trade union activities and protect their legal rights. The Company shall provide the necessary conditions for such activities.

Article 201 The Company shall implement democratic management in accordance with the

provisions of the laws and administrative regulations by holding employee representative meetings and by other means.

Article 202 When the Company studies material matters in relation to merger, division, change in systems, dissolution, insolvency application and matters in relation to the personal interests of employees such as employees' remuneration, benefits, production safety, labour protection and labour insurance, the Company shall listen to the opinions and recommendations from the trade unions and employees of the Company, and carry out the necessary democratic procedures in accordance with the relevant regulations.

## **CHAPTER 18 MERGER, DIVISION, CAPITAL REDUCTION, DISSOLUTION AND LIQUIDATION**



Article 203 The merger of the Company may take the form of either merger by absorption or merger by the establishment of a new company.

A company that absorbs other company is known as merger by absorption whereby the company being absorbed shall be dissolved. The merger of two or more companies by the establishment of a new company is known as merger by the establishment of a new company, whereby the merged companies shall be dissolved.

In the event of a merger, the merging parties shall execute a merger agreement and prepare a balance sheet and an inventory of assets. The Company shall notify its creditors within ten (10) days of the date of the Company's merger resolution and shall publish a public notice in China Securities Journal within thirty (30) days of the date of the Company's merger resolution.

Within thirty (30) days the creditors receive the notice, or within forty-five (45) days the notice is announced, the creditors may demand the Company to settle its debts or to provide corresponding guarantee.

In the event of merger, the creditors' rights and debts of the parties to the merger shall be assumed by the succeeding company or the newly established company.

Article 204 Where there is a division of the Company, its assets shall be divided up accordingly.

In the event of division, the Company shall prepare a balance sheet and an inventory of assets. The Company shall notify its creditors within ten (10) days of the date of the Company's division resolution and shall publish a public notice in China Securities Journal within thirty (30) days of the date of the Company's division resolution.

Debts of the Company prior to division shall be assumed jointly and severally by the companies which exist after the division, except those debts that have been otherwise separately agreed by the Company with the creditors in writing for the settlement of the debts before the division.

Article 205 The Company shall, in accordance with law, apply for change in its registration with the companies registration authority where a change in any item in its registration arises as a result of any merger or division. Where the Company is dissolved, the Company shall apply for cancellation of its registration in accordance with law. Where a new company is established, the Company shall apply for registration thereof in accordance with law.

When there is increase or reduction in the share capital of the Company, the Company shall apply for change in its registration with the company registration authority in accordance with the law.

Article 206 The Company shall be dissolved due to any of the following reasons:

(1) the term of operation expires, or any dissolution events as stipulated in

these Articles of Association occur;

- (2) a resolution for dissolution is passed by shareholders at a general meeting;
- (3) dissolution is necessary due to a merger or division of the Company;
- (4) the Company revokes its business license, is ordered to close down or is closed down because of its violation of laws and administrative regulations;
- (5) shareholders holding at least 10% of the shares of the Company may apply to the People's Court to dissolve the Company if the Company experiences extreme difficulties in respect of its operation and management, which cannot otherwise be resolved, such that if the Company continues to operate, its shareholders will suffer significant losses.

Article 207 Upon the occurrence of the situation described in sub-paragraph (1) of Article 206, the Company may continue to exist by amending the Articles of Association.

It shall be approved by over two-thirds of voting powers held by shareholders present at the shareholders' general meeting to modify the Articles of Association according to the provisions of the preceding paragraph.

Article 208 A liquidation committee shall be set up and start the liquidation process within fifteen (15) days from the date of occurrence of such dissolution of the Company being dissolved pursuant to sub-paragraphs (1), (2), (4) and (5) of Article 206. The composition of the liquidation committee shall be determined by directors or the shareholders' general meeting. The composition of the liquidation committee of the Company shall be determined by an ordinary resolution of shareholders in a general meeting. If a liquidation committee is not set up within the specified time limit, the creditors of the Company may apply to the people's court to appoint designated persons to carry out the liquidation.

Article 209 Where the board of directors proposes to liquidate the Company for any reason other than the Company's declaration of its own insolvency, the board shall include a statement in its notice convening a shareholders' general meeting to consider the proposal to the effect that, after making full inquiry into the affairs of the Company, the board of directors is of the opinion that the Company will be able to pay its debts in full within twelve (12) months from the commencement of the liquidation.

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

The liquidation committee shall act in accordance with the instructions of the shareholders' general meeting to make a report at least once every year to the

shareholders' general meeting on the committee's income and expenses, the business of the Company and the progress of the liquidation; and to present a final report to the shareholders' general meeting on completion of the liquidation.

Article 210 The liquidation committee shall, within ten (10) days of its establishment, send notices to creditors and shall, within sixty (60) days of its establishment, publish a public announcement in a newspaper.

A creditor shall, within thirty (30) days of receipt of the notice, or for creditors who have not received such notice, within forty five (45) days of the date of the public announcement, report its rights to the liquidation committee. When reporting his rights, the creditor shall provide an explanation of matters which are relevant thereto and shall provide evidential material in respect thereof. The liquidation committee shall register the creditor's rights.

No repayment shall be made by the liquidation committee during the period of reporting creditors' rights.

Article 211 During the liquidation period, the liquidation committee shall exercise the following functions and powers:

- (1) to sort out the Company's assets and prepare a balance sheet and an inventory of assets respectively;
- (2) to send notify the creditors or to publish public announcements;
- (3) to dispose of and liquidate any unfinished businesses of the Company;
- (4) to pay all outstanding taxes and taxes incurred in the process of liquidation;
- (5) to settle claims and debts;
- (6) to deal with the surplus assets remaining after the Company's debts have been repaid;
- (7) to represent the Company in any civil proceedings.

Article 212 After it has sorted out the Company's assets and after it has prepared the balance sheet and an inventory of assets, the liquidation committee shall formulate a liquidation plan and present it to a shareholders' general meeting or to the relevant governing authority or the people's court for confirmation.

The residual property after the respective settlement of the liquidation expenses, staff wages, social insurance expenses and statutory compensation, the payment of taxes in arrears and the discharge of the Company's liabilities shall be distributed to its shareholders according to the class of shares and the

proportion of shares held.

During the liquidation period, the Company subsists but shall not commence any business activities not related to liquidation. Prior to the repayment in accordance of the previous paragraphs, the Company's assets shall not be distributed to the shareholders.

Article 213 If after putting the Company's assets in order and preparing a balance sheet and an inventory of assets in connection with the liquidation of the Company, the liquidation committee discovers that the Company's assets are insufficient to repay the Company's debts in full, the liquidation committee shall immediately apply to the People's Court for a declaration of insolvency.

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

Article 214 Following the completion of the liquidation, the liquidation committee shall prepare a liquidation report, submit to the shareholders' general meeting or the relevant governing authority or the people's court for confirmation, and submit the same to the registration authority of the Company for application for the cancellation of the Company's registration and for making public announcement in connection with the termination of the Company.

The members of the liquidation committee shall act fiducially and perform the obligations of liquidation pursuant to the law.

The members of the liquidation committee shall not take advantage of his office power, taking bribes or other illegal income or illegally taking possession of the assets of the Company.

The members of the liquidation committee shall indemnify the loss incurred by the Company or the creditors as a result of his willful act or serious misconduct.

Article 215 Where the Company is declared bankrupt pursuant to the law, bankruptcy liquidation shall be implemented pursuant to the relevant enterprise bankruptcy law.

## **CHAPTER 19 AMENDMENT OF THE ARTICLES OF ASSOCIATION**

Article 216 The Company may amend its Articles of Association in accordance with the requirements of laws, administrative regulations and the Company's Articles of Association.

The Company shall amend these Articles of Association on the occurrence of any of the following events:

- (1) The Company Law or the relevant laws or administrative regulations are amended and these Articles are in conflict with the amended laws or administrative regulations;

- (2) There is change to the Company which makes it not consistent with these Articles of Association;
- (3) It has been approved by the shareholders in a general meeting to amend these Articles.

Article 217 The Company's Articles of Association shall be amended in the following manner:

- (1) The board of directors, supervisory committee and shareholders who individually or jointly hold 3% or more of the Company's voting shares shall propose the manner in which the Company's Article of Association shall be amended;
- (2) Unless otherwise provided by the relevant laws and regulations, the listing rules issued at the listing place of the Company and the Articles of Association in respect of the means of receipt of corporate communication, the foregoing proposal shall be furnished to the shareholders in writing and a shareholders' meeting shall be convened;
- (3) The amendments shall be approved by votes representing more than two-thirds of the voting rights represented by the shareholders present at the meeting.

Article 218 Any amendment to the Articles of Association passed by a resolution at a general meeting shall be filed with the authorities for approval if it is so required. If there is any change relating to the registered particulars of the Company, application shall be made for change in registration in accordance with law.

Article 219 The board of directors shall amend these Articles of Association pursuant to the resolutions of shareholders in a general meeting and the approval opinions of the competent authority for amendment of these Articles.

Article 220 If the amendment to the Articles of Association is a matter which is required by the relevant laws and regulations to be disclosed, an announcement shall be made in accordance with the provisions of these laws and regulations.

## **CHAPTER 20 SUPPLEMENTARY PROVISIONS**

Article 221 Definitions:

- (1) Controlling shareholder means the shareholder whose ordinary shareholdings represent over 50% the total share capital of the Company; if short of 50%, whose entitlement to voting rights attached to its ordinary shares is sufficient to materially affect the resolutions proposed at the shareholders' general meeting of the Company.
- (2) De facto controller means a party that is not a shareholder of the

Company, but shall be capable to control the act of the Company through investment relationship, agreement or other arrangements.

- (3) Connected relationship means the relationship between the controlling shareholder of the Company, its de facto controller, directors, supervisors, senior management and enterprises directly or indirectly controlled by it, as well as other relationships that may result in the transfer of the Company's interests. However, state-owned enterprises do not have connected relationship solely as a result of being controlled by the State.

Article 222 The rules of meetings of the shareholders' general meeting, the board of directors and the supervisory committee are attached as Appendices to these Articles. In the event that the rules of meetings of the shareholders' general meeting, the board of directors and the supervisory committee are in conflict with these Articles, these Articles shall prevail.

Article 223 If a notice of the general meeting of shareholders, board meeting or meeting of the supervisory committee is issued by hand, the date when the recipient signed or stamped to acknowledge receipt of the same shall be regarded as the date of service of the notice. If the notice is issued by post, the seventh day from the date it is delivered to the post office shall be regarded as the date of service of the notice. If a notice of the Company is issued by public announcement, it shall be deemed received by the intended recipients once announced.

Article 224 If a notice of meeting is accidentally omitted to be sent to any person who is entitled to receive or that person has not received such a notice of meeting, it will not cause the meeting and any resolution made therein to be void.

Article 225 Unless otherwise provided by the relevant laws and regulations, the listing rules issued at the listing place of the Company and the Articles of Association in respect of the means of receipt of corporate communication, notices, communications or other written documents of the Company (including but not limited to annual reports, interim reports, quarterly reports, notices of meetings, listing documents, circulars, proxy forms and holding announcements) shall be sent by the following means:

- (1) by hand;
- (2) by mail;
- (3) by fax , email or other electronic format or information carriers;
- (4) subject to laws, administrative regulations and relevant provisions of securities regulatory authority of the place where the Company is listed, by publishing on the website designated by the Company and the stock exchange;
- (5) by announcement on one national newspaper which has been approved by the State Council Securities Policy Committee and other designated

media;

- (6) by other means acceptable to securities regulatory authority of the place where the Company is listed.

Notwithstanding the requirements in relation to the means of sending notice, communications or other documents set out in this Articles of Association, the Company may use the means set out in sub-section (4) of this Article to replace the use of personal delivery or prepaid airmail to holders of Overseas-Listed Foreign Invested Shares, provided that the listing rules issued at the listing place of the Company is complied with.

Article 226 In these Articles of Association, references to "accountancy firm" shall have the same meaning as "auditors".

Article 227 The Company's Articles of Association are written in Chinese and English. Both texts shall be equally valid. If there is any discrepancy between the two versions, the Chinese version of the Articles of Association most recently filed at the Shandong Administration of Industry and Commence shall prevail.

Article 228 The expressions of "above", "within" and "below" shall include the figures mentioned whilst the expression of "less than" and "more than" shall not include the figures mentioned.

Article 229 These Articles of Association shall be interpreted by the Company's board of directors.