

**Jiangsu Hengrui Pharmaceuticals Co., Ltd.**

**ARTICLES OF ASSOCIATION**

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## CHAPTER I GENERAL PROVISIONS

**Article 1** In a bid to safeguard the legitimate rights and interests of Jiangsu Hengrui Pharmaceuticals Co., Ltd. (the “Company”), its shareholders, employees and creditors, and to regulate the organization and activities of the Company, the Company formulated this Articles of Association in accordance with the provisions of the Company Law of the People’s Republic of China (hereinafter referred to as the “Company Law”), the Securities Law of the People’s Republic of China (hereinafter referred to as the “Securities Law”), the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (hereinafter referred to as the “Hong Kong Listing Rules”), the Guidelines for Articles of Association of Listed Companies, as well as other relevant regulations.

**Article 2** The Company is a joint stock limited company incorporated pursuant to the Company Law, the Securities Law and other relevant regulations (hereinafter referred to as the “Company”).

The Company was established by way of promotion with the approval (Suzhengfu [1997] No. 19) of the People’s Government of Jiangsu Province. It was registered with the Administration for Industry and Commerce of Jiangsu Province on April 28, 1997, and its registration files were transferred to the Administration for Industry and Commerce of Lianyungang, Jiangsu Province in 2006. The Company’s unified social credit code is 9132070070404786XB.

**Article 3** Upon the approval by the China Securities Regulatory Commission (hereinafter referred to as the “CSRC”) in 2000, the Company initially issued 40 million RMB-denominated ordinary shares to the public, which were listed on the Shanghai Stock Exchange on October 18, 2000.

Upon the filing with the CSRC on [•], [•] and approval by The Stock Exchange of Hong Kong Limited (hereinafter referred to as the “Hong Kong Stock Exchange”, together with the Shanghai Stock Exchange, the “Stock Exchanges”) on [•], [•], the Company issued [•] overseas listed shares (hereinafter referred to as the “H Shares”) in Hong Kong [and over-allotted [•] H Shares]. These H Shares were listed on the Main Board of the Hong Kong Stock Exchange on [•], [•] and [•], [•], respectively.

**Article 4** The Company’s registered name is 江苏恒瑞医药股份有限公司.

English name: Jiangsu Hengrui Pharmaceuticals Co., Ltd.

**Article 5** Domicile of the Company: No. 38 Huanghe Road, Economic and Technological Development Zone, Lianyungang City, Jiangsu Province. Postal code: 222007.

**Article 6** The registered capital of the Company is RMB[•].

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

**Article 8** The chairman of the board of directors (the “Board”) is the legal representative of the Company. Where the chairman of the Board resigns, he/she shall be deemed to have resigned as the legal representative at the same time. If the legal representative resigns, the Company shall appoint a new legal representative within 30 days of resignation of the legal representative.

**Article 9** The total assets of the Company are divided into shares of equal par value. The shareholders of the Company shall be liable to the Company to the extent of the shares they subscribed, and the Company shall be liable for the debts of the Company to the extent of all of its entire assets.

**Article 10** From the date upon which the Articles of Association takes effect, the 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 shall constitute a legally binding document upon the Company, shareholders, Directors, Supervisors and senior management. Pursuant to the Articles of Association, shareholders may institute legal proceedings against other shareholders; shareholders may institute legal proceedings against Directors, Supervisors, general manager (president) and other senior management of the Company; shareholders may institute legal proceedings against the Company; and the Company may institute legal proceedings against shareholders, Directors, Supervisors, general manager (president) and other senior management.

**Article 11** Other senior management mentioned in this Articles of Association refers to executive vice president, senior vice president, secretary to the Board and financial officer appointed by the Board.

## **CHAPTER II BUSINESS OBJECTIVES AND SCOPE**

**Article 12** The business objective of the Company is, with a focus on one core business and in pursuit of diversified business operations and comprehensive development, to achieve optimal asset allocation and efficient operation through advancement of technologies and implementation of scientific management, so as to build the Company into a modern production site of anti-tumor drugs and anesthesia and analgesia drugs. On the basis of the continuous development and growth of the Company, the shareholders of the Company will be able to obtain favorable economic benefits and the legitimate rights and interests of all shareholders will be protected.

**Article 13** Upon registration in accordance with the law, the business scope of the Company is as follows: the manufacturing of tablets (including anti-tumor drugs), oral solutions, suspensions, sterile active pharmaceutical ingredients (anti-tumor drugs), active pharmaceutical ingredients (including anti-tumor drugs), psychotropic drugs, soft capsules (including anti-tumor drugs), freeze-dried powder injection (including anti-tumor drugs), powder injection (anti-tumor drugs and cephalosporins), powder aerosols for inhalation, oral suspensions, oral emulsions, large volume injections (including multi-layer co-extruded infusion bag and anti-tumor drugs), small volume injections (including anti-tumor drugs and non-final sterilization), biological engineering products (polyethylene glycol recombinant human granulocyte stimulating factor injection), hard capsules (including anti-tumor drugs), granules (anti-tumor drugs), powder aerosols, film, gel and cream; preprocessing and extraction of Chinese medicine; research and development, manufacturing and sale of medical devices; sales of general chemical products; self-operating and acting as an agent for the import and export of various commodities and technologies, except for those commodities and technologies whose operation is restricted by the state or whose import and export are prohibited.

## CHAPTER III SHARES

### Section 1 Issuance of Shares

**Article 14** The Company's shares are in the form of share certificate. Share certificates of the Company shall be in registered form.

**Article 15** Shares of the Company shall be issued on the principles of transparency, fairness and equality, and the shares of the same class shall rank *pari passu* in all respects.

Each share of the same class shall be issued under the same conditions and at the same price in each issuance, and the same price shall be paid for each share subscribed for by any entity or individual.

**Article 16** The nominal value of shares issued by the Company is denominated in RMB, with a par value of RMB1 each.

**Article 17** The shares issued by the Company and listed on the Shanghai Stock Exchange (hereinafter referred to as the "A Shares") shall be deposited collectively at the Shanghai Branch of the China Securities Depository and Clearing Corporation Limited. The Company's H Shares issued and listed in Hong Kong shall be primarily deposited with a custodian company under the Hong Kong Securities Clearing Company Limited, and may also be held by shareholders in their own names.

**Article 18** The total number of ordinary shares of the Company approved to be issued was 132.85 million shares, of which 45.21 million shares were issued to the promoter, Lianyungang Pharmaceutical Industry Corporation (連雲港醫藥工業公司), 10 million shares were issued to the promoter, Lianyungang Pharmaceutical Industry Corporation Labor Union (連雲港醫藥工業公司工會), 6.19 million shares were issued to the promoter, China National Pharmaceutical Industry Corporation (中國醫藥工業公司), 300,000 shares were issued to the promoter, Lianyungang Pharmaceutical Purchasing and Supply Station (連雲港醫藥採購供應站), and 200,000 shares were issued to the promoter, Jiangsu Kangyuan Pharmaceutical Co., Ltd. (江蘇康緣藥業股份有限公司) at the time of its establishment, representing 46.59% of the total issuable ordinary shares of the Company.

**Article 19** Upon the completion of the initial public offering of H Shares ([on the condition that the Over-allotment Option is not exercised/upon the exercise of the Over-allotment Option]), the total number of shares of the Company is [•]. Such shares are all ordinary shares, including [•] A ordinary shares and [•] H ordinary shares, representing [•]% and [•]% of the total share capital of the Company, respectively.

**Article 20** The Company or its subsidiaries (including affiliates of the Company) shall not provide any financial assistance in the form of gifts, advances, guarantees, compensation or loans to purchasers or prospective purchasers of the Company's shares, except where the Company implements an employee stock ownership plan.

For the benefit of the Company, the Company may, upon a resolution by the shareholder or by the Board under the Articles of Association or the authorization of the shareholders, provide financial assistance for others to acquire the shares of the Company, provided that the total accumulative amount of the financial assistance shall not exceed 10% of the total issued share capital. A resolution by the Board shall be passed by more than two-thirds of all the Directors.

If violation of the provisions of the preceding two paragraphs causes losses to the Company, the responsible Directors, Supervisors and senior management shall be liable for compensation.

## **Section 2 Increase, Reduction and Repurchase of Shares**

**Article 21** According to the operation and development needs of the Company, subject to the laws, regulations, and the listing rules of the place where the Company's shares are listed, the Company may increase the capital in the following ways upon approval of resolutions at the shareholders' meeting:

- (i) Public offering of shares;
- (ii) Non-public offering of shares;
- (iii) Distribution of bonus shares to existing shareholders;
- (iv) Converting the reserve funds into share capital;
- (v) Other means approved by the laws, administrative regulations or approved by the CSRC, the securities regulatory authorities and stock exchanges where the Company's shares are listed.

**Article 22** The Company may reduce its registered capital. The Company shall reduce its registered capital in accordance with the procedures stipulated in the Company Law and other relevant regulations as well as this Articles of Association.

**Article 23** The Company shall not repurchase its own shares, unless otherwise under the circumstances:

- (i) Reducing the Company's registered capital;
- (ii) Merging with other companies which hold the shares of the Company;
- (iii) Using the shares for an employee stock ownership plan or equity incentive plan;
- (iv) Purchasing its shares from shareholders who have voted against the resolutions on the merger or division of the Company at a shareholders' meeting upon their request;
- (v) Use of shares for conversion of convertible corporate bonds issued by the Company;
- (vi) Necessary for the Company to maintain its value and protect the interests of the shareholders.

**Article 24** The repurchase of the Company's shares by the Company may be carried out through public centralized trading, or other methods recognized by laws, administrative regulations and securities regulatory authorities and stock exchanges in the place where the Company's shares are listed, and shall comply with the provisions of applicable laws and regulations and the securities regulatory rules of the place where the Company's shares are listed.

Subject to compliance with the applicable securities regulatory rules of the place where the Company's shares are listed, if the share repurchase is made under the circumstances stipulated in (iii), (v) and (vi) in the first paragraph of Article 23 of the Articles of Association, it shall be conducted by way of public centralized trading.

**Article 25** A resolution shall be passed at the shareholders' meeting when the Company is to repurchase its own shares under the circumstances stipulated in (i) and (ii) in the first paragraph of Article 23 of the Articles of Association. In case that the Company is to repurchase its own shares under the circumstances stipulated in (iii), (v) and (vi) in the first paragraph of Article 23 of the Articles of Association, a resolution of the Company's Board shall be passed by more than two-thirds of the Directors attending the Board meeting in accordance with the provisions of the Articles of Association or the authorization of the shareholders, and on the premise of complying with the applicable securities regulatory rules of the place where the Company's shares are listed.

After the Company has repurchased its own shares in accordance with the provisions in the first paragraph of Article 23, the shares repurchased shall be canceled within ten days from the date of repurchase under the circumstance set out in (i); such shares shall be transferred or canceled within six months under the circumstances set out in (ii) and (iv); the total number of shares held by the Company shall not exceed 10% of the total issued shares of the Company, and such shares shall be transferred or canceled within three years under the circumstances set out in (iii), (v) and (vi).

Notwithstanding the foregoing, if the applicable laws and regulations, other provisions of this Articles of Association and the laws or the securities regulatory authorities of the place where the Company's shares are listed provide otherwise in respect of the foregoing matters relating to the repurchase of the Company's shares, the Company shall also comply with the provisions thereof. The repurchase of the H Shares of the Company shall comply with the Hong Kong Listing Rules and other relevant laws, regulations and regulatory requirements of the place where the H Shares of the Company are listed.

Where the listed company acquires the Company's shares, it shall fulfill the obligation of information disclosure in accordance with the provisions of the Securities Law and securities regulatory rules of the place where the Company's shares are listed.

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

**Article 26** The shares of the Company may be transferred according to law. All transfers of H Shares shall be effected by instruments of transfer in writing in a general or ordinary form or in any other forms acceptable to the Board (including the standard transfer format or form of transfer that Hong Kong Stock Exchange may provide from time to time); the instruments of transfer may be signed by hand only or by valid company seal (where the transferor or transferee is a corporation). Where the transferor or transferee is a recognized clearing house or any of its nominee as defined in the relevant ordinances from time to time in force under the laws of Hong Kong, the instruments of transfer may be signed manually or mechanically printed. All instruments of transfer shall be maintained at the statutory address of the Company or such places as the Board may designate from time to time.

**Article 27** The Company shall not accept its own shares as the subject matter of a pledge.



**Article 28** Shares issued by the Company prior to the public offering shall not be transferred within one year from the date on which the shares of the Company are listed and traded on the Shanghai Stock Exchange.

The Directors, Supervisors and senior management of the Company shall declare to the Company of their holdings of shares of the Company and the changes therein. The shares transferred by them during each year of their tenures shall not exceed 25% of their total holdings of shares of the Company. The shares of the Company held by them shall not be transferred within one year from the date on which the Company's shares are listed for trading. The shares of the Company held by them shall not be transferred within half a year from their departure from the Company. Where the securities regulatory rules of the place where the Company's shares are listed provide otherwise with respect to the restrictions on the transfer, such rules shall also be applicable.

If the shares are pledged within the restricted transfer period stipulated by laws and administrative regulations, the pledgee shall not exercise the pledge within the restricted transfer period.

**Article 29** Any gains from sale of Company's shares by the Directors, Supervisors and senior management or shareholders holding 5% or more of the Company's shares within six months after their purchase of the same, and any gains from the purchase of the shares by any of the aforesaid parties within six months after sale of the same shall be disgorged and paid to the Company, and the Board of the Company shall recover such gains from the abovementioned parties. However, a securities company holds 5% or more of the Company's shares as a result of its undertaking of the untaken shares in an offer and other circumstances stipulated by the CSRC and the regulatory rules of the place where the Company's shares are listed shall not be subject to the restriction. The above shareholders holding 5% or more of the Company's shares do not include recognized clearing houses and their nominees as defined in the relevant ordinances from time to time in force under the laws of Hong Kong.

Shares or other securities with the nature of equity held by Directors, Supervisors, senior management and individual shareholders as mentioned in the preceding paragraph include shares or other securities with the nature of equity held by their spouses, parents or children, or held by them by using other person's accounts.

If the Board of the Company fails to comply with the provisions set forth in the first paragraph of this Article, the shareholders are entitled to request the Board to do so within 30 days. If the Board of the Company fails to comply within the aforesaid period, the shareholders are entitled to initiate litigation directly in the people's court in their own names for the interest of the Company.

If the Board of the Company fails to implement the provisions set forth in the first paragraph of this Article, the responsible Directors shall bear joint and several liability in accordance with law.



## CHAPTER IV SHAREHOLDERS AND SHAREHOLDERS' MEETINGS

### Section 1 Shareholders

**Article 30** The Company shall establish a register of shareholders in accordance with evidentiary documents provided by the securities registration authorities. The register of shareholders is sufficient evidence to prove that the shareholders hold the Company's shares. The original register of shareholders of H shares listed in Hong Kong is kept in Hong Kong and is available for inspection by shareholders, but the Company may suspend the registration of shareholders in accordance with applicable laws and regulations and the securities regulatory rules of the place where the Company's shares are listed. In the event that any shareholder whose name is recorded in or any person who requests to have his/her name entered in the register of shareholders of H Shares loses his/her share certificate(s), he/she may apply to the Company for replacement of new share certificate(s) in respect thereof. Where a holder of H Shares loses his/her share certificate(s) and applies for replacement, such application shall be dealt with in accordance with the laws, rules of the stock exchange or other relevant regulations of the place where the original register of shareholders of H Shares is maintained. Shareholders shall enjoy rights and assume obligations according to the class of shares they hold. Shareholders holding shares of the same class shall enjoy the same rights and assume the same obligations.

The Company shall enter into a share custody agreement with the securities registration authorities, make regular inquiries about the details of the substantial shareholders and the changes in their shareholding (including share pledge), in order to ascertain the shareholding structure of the Company in a timely manner.

**Article 31** When the Company convenes a shareholders' meeting, distributes dividends, undergoes liquidation or engages in other activities that require the verification of shareholders' identities, the Board or the convener of the shareholders' meeting shall determine the record date. Shareholders whose names appear on the register of shareholders at the close of trading on the record date are entitled to relevant rights.

**Article 32** The rights of shareholders of the Company are as follows:

- (i) To receive dividends and other forms of interest distribution according to the number of shares held;
- (ii) To legally require, convene, preside over, participate in or authorize proxies of shareholders to attend the shareholders' meeting and exercise corresponding voting rights;
- (iii) To supervise operations of the Company, provide suggestions or submit queries;
- (iv) To transfer, grant or pledge the shares held according to the provisions of the laws, administrative regulations and the Articles of Association;
- (v) To read and copy this Articles of Association, the register of shareholders, shareholders' meeting minutes, resolutions of meetings of the Board, resolutions of meetings of the Board of Supervisors and financial and accounting reports;
- (vi) Shareholders who hold more than 3% of the Company's shares individually or collectively for more than 180 consecutive days may require to inspect the Company's accounting books and accounting vouchers as required by laws;

- (vii) To participate in the distribution of the remaining assets of the Company according to the proportion of shares held upon the Company's termination or liquidation;
- (viii) To require the Company to acquire the shares from shareholders voting against any resolutions adopted at the shareholders' meeting concerning the merger and division of the Company;
- (ix) Other rights conferred by laws, administrative regulations, departmental rules, securities regulatory rules where our Company's shares are listed, or the Articles of Association.

**Article 33** If a shareholder who holds more than 3% of the Company's shares individually or collectively for more than 180 consecutive days requests to inspect the Company's accounting books and accounting vouchers, he or she shall submit a written request to the Company stating the purpose. If the Company has a reasonable basis to believe that the shareholder's inspection of accounting books and accounting vouchers has an improper purpose and may harm the legitimate interests of the Company, it may refuse to provide such inspection, and shall reply to the shareholder in writing and explain the reasons within 15 days from the date of the shareholder's written request. If the Company refuses to provide inspection, the shareholder may file a lawsuit with the people's court.

The shareholder may retain an accounting firm, a law firm, or any other intermediary to inspect the materials specified in the preceding paragraph.

The shareholder and the accounting firm, law firm, or other intermediary retained by it shall comply with the provisions of laws and administrative regulations on the protection of state secrets, trade secrets, personal privacy, and personal information, among others, when inspecting and duplicating the relevant materials.

If a shareholder requests for inspection or reproduction of the relevant materials of the Company's wholly-owned subsidiary, the provisions of the preceding three paragraphs shall apply.

**Article 34** Where the shareholders request for inspection of the relevant information as mentioned in the preceding Article or for any materials, they shall provide the Company with written documents evidencing the class and number of shares of the Company held by them and pay reasonable costs. Upon verification of the shareholders' identities, the Company shall provide information as requested.

**Article 35** If the content of the resolution of the Company's shareholders' meeting or the Board meeting violates laws or administrative regulations, the shareholders have the right to request the people's court to clarify it invalid.

If the convening procedures or voting methods of the shareholders' meeting or the Board meeting violate laws, administrative regulations or the Articles of Association, or the content of the resolution violates the Articles of Association, the shareholders have the right to request the people's court to revoke the resolution within 60 days from the date on which the resolution is made, unless there are only minor flaws in the convening procedures or voting methods of the shareholders' meeting or the Board meeting resulting in no substantial impact on the resolution.

**Article 36** In the event of any loss caused to the Company as a result of violation of any laws, administrative regulations or Articles of Association by the Directors or senior management when performing their duties, the shareholders holding more than 1% of the shares of the Company separately or jointly for over 180 consecutive days may submit a written request to the Board of Supervisors to file an action with the people's court. If any Supervisor is involved in any of the circumstances set forth in the preceding article, the aforesaid shareholders may submit a written request to the Board to file an action with the people's court.

In the event that the Board of Supervisors or the Board refuse to file an action upon receipt of the shareholders' written request specified in the preceding paragraph, or fail to file an action within 30 days upon receipt thereof, or in the event that the failure to immediately file an action in an emergency case will cause irreparable damage to the interests of the Company, the shareholder(s) specified in the preceding paragraph may, in their own name, directly file an action to the people's court for the interest of the Company.

In the event that any other person infringes upon the legitimate rights and interests of the Company and causes losses thereto, the shareholder(s) specified the first paragraph of this Article may file an action with the people's court pursuant to the provisions of the preceding two paragraphs.

If the directors, supervisors or senior managers of a wholly-owned subsidiary of the Company have any of the circumstances specified in the preceding paragraphs, or if others infringe upon the legitimate rights and interests of the wholly-owned subsidiary of the Company and cause losses, the shareholders who hold more than 1% of the shares of the Company individually or collectively for more than 180 consecutive days may, in accordance with the provisions of the preceding three paragraphs, request the board of supervisors or the board of directors of the wholly-owned subsidiary to file an action with the people's court in writing or directly file an action in their own names with the people's court.

**Article 37** In the event that Directors or senior management violate the laws, administrative regulations or the Articles of Association, causing damage to the interests of shareholders, the shareholders may initiate legal proceedings with the people's court.

**Article 38** The obligations of shareholders of the Company are as follows:

- (i) To abide by laws, administrative regulations and the Articles of Association;
- (ii) To made contribution to share capital according to the shares subscribed and the subscription methods;
- (iii) Not to withdraw shares unless prescribed otherwise in laws and administrative regulations;
- (iv) Not to abuse shareholders' rights to infringe upon the interests of the Company or other shareholders; not to abuse the Company's status as an independent legal entity or the limited liability of shareholders to damage the interests of the Company's creditors;
- (v) To perform other duties prescribed in laws, administrative regulations, departmental rules, normative documents, the listing rules of the stock exchanges where the Company's shares are listed and the Articles of Association.

Any shareholder of the Company who abuses shareholders' rights and causes the Company or other shareholders to suffer a loss shall be liable for making compensation in accordance with the law. Any shareholder of the Company who abuses the status of the Company as an independent legal entity or the limited liability of shareholders to evade debts and seriously damages the interests of the Company's creditors shall assume joint and several liability for the Company's debts.

**Article 39** If a shareholder holding more than 5% of the voting shares of the Company pledges the shares he or she holds, he or she shall make a written report to the Company on the date of occurrence of such fact and make a declaration in accordance with applicable relevant laws and regulations.

**Article 40** Controlling shareholders and de facto controllers of the Company shall not prejudice the interests of the Company by taking advantage of his/her related relationship. Anyone who violates this Article and causes losses to the Company shall be liable for compensation.

Controlling shareholders and de facto controllers of the Company shall have a duty of good faith to the Company and public shareholders of the Company. Controlling shareholders shall exercise their investors' rights in strict accordance with the law and shall not damage the legitimate rights and interests of the Company or the public shareholders in any way such as via the distribution of profits, an asset reorganization, external investments, the capital occupation or the provision of a loan guarantee, nor shall they abuse their controlling positions to damage the interests of the Company or the public shareholders.

If the controlling shareholders or de facto controllers of the Company instruct the Directors or senior management to engage in acts that harm the interests of the Company or shareholders, the Directors or senior management shall be jointly and severally liable.

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

**Article 41** The shareholders' meeting is the organ of authority of the Company, which exercises its powers in accordance with the laws:

- (i) To elect and replace the Directors and Supervisors (other than the employee representatives) and to decide on matters relating to the remuneration of Directors and Supervisors;
- (ii) To examine and approve reports of the Board;
- (iii) To examine and approve reports of the Board of Supervisors;
- (iv) To examine and approve the Company's proposals for profit distribution plans and loss recovery plans;
- (v) To decide on any increase or reduction of the Company's registered capital;
- (vi) To decide on the issue of corporate bonds by the Company;
- (vii) To decide on matters such as merger, division, dissolution and liquidation or change of corporate form of the Company;

- (viii) To amend the Articles of Association;
- (ix) Resolution on appointment and dismissal of an accounting firm by the Company;
- (x) To examine and approve the guarantees stipulated in Articles 42;
- (xi) To examine matters relating to the purchases and disposal of the Company's material assets within one year, which exceed 30% of the Company's latest audited total assets;
- (xii) To examine and approve matters relating to changes in the use of proceeds;
- (xiii) To examine the equity incentive plans and employee stock ownership plans;
- (xiv) To examine other matters as required by the laws, administrative regulations, departmental rules, the securities regulatory rules of the place where the Company's shares are listed or the Articles of Association, which shall be decided by the shareholders' meeting.

The statutory functions and powers of shareholders' meetings under the Company Law shall not be delegated through authorization to the Board or any other institution or individual. Where the shareholders' meeting authorizes the Board or other institution or individual to exercise other functions and powers on its behalf, it shall comply with the authorization principles stipulated in laws, administrative regulations, departmental rules, normative documents, the securities regulatory rules of the place where the Company's shares are listed and other relevant regulations, and the details of the authorization shall be clearly specified.

**Article 42** The following acts of external guarantee of the Company shall be submitted to the shareholders' meeting for consideration and approval:

- (i) Any guarantee to be provided after the total amount of external guarantees provided by the Company and the subsidiaries it controls has exceeded 50% of the Company's net assets audited in the latest period;
- (ii) Any guarantee to be provided after the total amount of external guarantees provided by the Company has exceeded 30% of the Company's total assets audited in the latest period;
- (iii) The total amount of external guarantees provided by the Company has exceeded 30% of the Company's total assets audited in the latest period;
- (iv) Any guarantee to be provided for a party whose gear ratio exceeds 70%;
- (v) The single guarantee for an amount more than 10% of the Company's net assets audited in the latest period;
- (vi) The guarantee to be provided to a shareholder, or to a de facto controller or related (connected) party thereof;
- (vii) Other guarantees required by the laws, administrative regulations, departmental rules, the securities regulatory rules of the place where the Company's shares are listed or the Articles of Association that shall be approved by the shareholders' meeting.

In case of any violation of the approval authority of the shareholders' meeting and the Board for external guarantee as stipulated under the Articles of Association, relevant personnel liable shall undertake corresponding legal responsibilities.

**Article 43** The shareholders' meetings are divided into annual shareholders' meetings and extraordinary shareholders' meetings. The annual shareholders' meeting shall be convened once a year and be held within six months after the end of the previous fiscal year.

**Article 44** The Company shall convene an extraordinary shareholders' meeting within two months from the date of the occurrence of any of the following circumstances:

- (i) The number of Directors is less than the statutory minimum number provided for in the Company Law or less than two-thirds of the number prescribed in the Articles of Association;
- (ii) The uncovered losses of the Company reach one-third of its total paid-in share capital;
- (iii) A written request from shareholders who separately or jointly hold 10% or more shares in the Company;
- (iv) The Board considers it necessary;
- (v) The Board of Supervisors proposes that such a meeting shall be held;
- (vi) Other circumstances conferred by the laws, administrative regulations, departmental rules, securities regulatory rules of the place where the Company's shares are listed and the Articles of Association.

**Article 45** The Company shall convene shareholders' meetings in Lianyungang or at other places.

A meeting venue shall be set up and the shareholders' meeting shall be convened by way of on-site meeting. The Company may also provide online voting or other means to facilitate shareholders to participate in the shareholders' meeting according to the securities regulatory rules of the place where the Company's shares are listed. Shareholders participating in the shareholders' meeting in the aforesaid manner shall be deemed as present.

**Article 46** When holding a shareholders' meeting, the Company shall engage lawyers to give legal opinions and make an announcement on the following matters:

- (i) whether the procedures of convening and holding the meeting comply with laws, administrative regulations and the Articles of Association;
- (ii) whether the eligibility of the attendees and the convener of the meeting are lawful and valid;
- (iii) whether the voting procedure and results of the meeting are lawful and valid;
- (iv) legal opinions issued in respect of other related matters upon the request of the Company.



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

**Article 47** The independent Directors shall have the right to propose to the Board to convene an extraordinary shareholders' meeting. The Board shall, in accordance with relevant laws, administrative regulations and the Articles of Association, give a written response on whether or not it agrees to convene such an extraordinary shareholders' meeting within 10 days after the receipt of the proposal from the independent Directors.

If the Board agrees to convene an extraordinary shareholders' meeting, it shall give a notice convening such meeting within 5 days after it has so resolved. If the Board does not agree to convene the extraordinary shareholders' meeting, it shall give the reasons and make an announcement.

**Article 48** The Board of Supervisors shall have the right to propose to the Board to convene an extraordinary shareholders' meeting and such proposal shall be made in writing. The Board shall, in accordance with laws, administrative regulations and the Articles of Association, give a written response on whether or not it agrees to convene such an extraordinary shareholders' meeting within 10 days after the receipt of the proposal.

If the Board agrees to convene an extraordinary shareholders' meeting, it shall give a notice convening such meeting within 5 days after it has so resolved. Any changes to be made to the original request in the notice shall be subject to approval of the Board of Supervisors.

If the Board does not agree to convene an extraordinary shareholders' meeting or fails to give a response within 10 days after the receipt of the proposal, the Board of Supervisors may convene and preside over such meeting on its own on the ground that the Board was unable or failed to perform its duty to convene a shareholders' meeting.

**Article 49** Shareholders who individually or collectively hold more than 10% of the shares of the Company shall have the right to request the Board to convene an extraordinary shareholders' meeting, and shall submit such request in writing to the Board. The Board shall in accordance with the provisions of laws, administrative regulations and the Articles of Association, provide written feedback on whether or not to convene the extraordinary shareholders' meeting within 10 days after receiving the request.

Where the Board agrees to convene an extraordinary shareholders' meeting, it shall issue a notice of convening the shareholders' meeting within 5 days after the resolution of the Board is made, and changes to the original request in the notice shall be subject to the consent of the relevant shareholders.

Where the Board does not agree to convene an extraordinary shareholders' meeting, or fails to give feedback within 10 days after receiving the request, shareholders who individually or collectively hold more than 10% of the Company's shares have the right to propose to the Board of Supervisors to hold an extraordinary shareholders' meeting, and shall make a written request to the Board of Supervisors.

Where the Board of Supervisors agrees to convene an extraordinary shareholders' meeting, it shall issue a notice of convening the shareholders' meeting within 5 days of receiving the request, and any changes to the original request in the notice shall be subject to the consent of the relevant shareholders.



Where the Board of Supervisors fails to issue a notice of the shareholders' meeting within the prescribed time limit, it shall be deemed that the Board of Supervisors has not convened and presided over the shareholders' meeting, and shareholders who individually or collectively hold more than 10% of the Company's shares for more than 90 consecutive days may convene and preside over it on their own.

**Article 50** Where the Board of Supervisors or shareholders decide to convene a shareholders' meeting on their own initiatives, they shall notify the Board in writing and file the records with the Shanghai Stock Exchange at the same time.

Prior to the announcement of the resolution of the shareholders' meeting, the shareholding of the convening shareholders shall not be less than 10%.

The convening shareholders shall submit the relevant supporting materials to the Shanghai Stock Exchange when issuing the notice of the shareholders' meeting and the announcement of the resolution of the shareholders' meeting.

**Article 51** For the shareholders' meetings convened by the Board of Supervisors or shareholders on their own initiatives, the Board and the secretary to the Board shall cooperate. The Board shall provide the register of shareholders as at the record date.

**Article 52** The expenses necessary for the shareholders' meeting convened by the Board of Supervisors or the shareholders on their own initiatives shall be borne by the Company.

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

**Article 53** The content of proposals shall fall within the terms of reference of the shareholders' meeting, have clear subject for consideration and specific matters to be resolved and comply with relevant requirements of the laws, administrative regulations, the securities regulatory rules of the place where the Company's shares are listed and the Articles of Association.

**Article 54** When the Company convenes a shareholders' meeting, the Board, the Board of Supervisors or shareholders that hold, individually or collectively, 1% or more of the shares of the Company shall have the right to put forward proposals to the Company.

Shareholders that hold, individually or collectively, 1% or more of the shares of the Company may submit ad hoc proposals in writing to the convener 10 days before the convening of the shareholders' meeting. The convener shall give a supplemental notice of the shareholders' meeting within 2 days upon receipt of the proposals and announce the contents of the ad hoc proposals and submit the ad hoc proposals to the shareholders' meeting for consideration, except for the cases where ad hoc proposal violates the provisions of laws, administrative regulations or the Articles of Association, or does not fall within the terms of reference of the shareholders' meeting. If the shareholders' meeting is postponed due to the issuance of a supplementary notice of the shareholders' meeting in accordance with the provisions of the securities regulatory rules of the place where the Company's shares are listed, the convening of the shareholders' meeting shall be postponed in accordance with the provisions of the securities regulatory rules of the place where the Company's shares are listed.

Except for the circumstances provided for in the preceding paragraph, the convener shall not modify the proposals already listed in the notice of the shareholders' meeting or add new proposals after issuing the notice of the shareholders' meeting.

The shareholders' meeting shall not vote and make resolutions on proposals that are not specified in the notice of the shareholders' meeting or do not conform to the provisions of Articles 53 of the Articles of Association.

**Article 55** The convener shall notify all shareholders by way of announcement 21 days prior to the convening of the annual shareholders' meeting, and each shareholder shall be notified by way of announcement 15 days prior to the convening of the extraordinary shareholders' meeting.

The date of the meeting shall not be included when calculating the starting date. Where the laws, regulations and the securities regulatory authority of the place where the Company's shares are listed otherwise provided, such provisions shall be complied with as well.

**Article 56** A notice of a shareholders' meeting shall include the following:

- (i) the time, venue and duration of the meeting;
  - (ii) matters and proposals submitted to the meeting for consideration;
  - (iii) a prominent written statement that all shareholders are entitled to attend shareholders' meeting and are entitled to appoint in writing a proxy to attend and vote at the meeting and that such proxy need not be a shareholder of the Company;
  - (iv) the record date of registration of shareholders entitled to attend the shareholders' meeting;
  - (v) the name and telephone number of the contact person for the meeting;
  - (vi) the time and procedure for voting online or through other means;
  - (vii) other requirements stipulated in laws, administrative regulations, departmental rules, securities regulatory rules of the place where the Company's shares are listed and the Articles of Association.
1. Notices and supplementary notices of shareholders' meetings shall adequately and completely disclose the specific contents of all proposals. Where the opinions of an independent Director are required on the matters to be discussed, such opinions and reasons thereof shall also be disclosed when the notices or supplementary notices of shareholders' meetings are served.
  2. Where a shareholders' meeting is held online or otherwise, the time and procedures for voting online or by other means shall be specifically stated in the notice of the shareholders' meeting. Online voting or voting by other means shall commence no earlier than 3:00 p.m. on the day before the physical meeting but no later than 9:30 a.m. on the date of the physical meeting and shall not end earlier than 3:00 p.m. on the date of the conclusion of the physical meeting.
  3. There shall be no more than 7 working days between the record date and the date of the meeting. Once confirmed, the record date shall not be changed.

**Article 57** Where the shareholders' meeting proposes to discuss the election of Directors and Supervisors, the notice of the shareholders' meeting shall fully disclose the detailed information of the candidates for Directors and Supervisors, which shall at least include the following:

- (i) personal particulars such as educational background, work experience and part-time job;
- (ii) whether there is any related (connected) relationship with the Company or its controlling shareholders and de facto controller;
- (iii) disclosure of the number of shares held in the Company;
- (iv) whether they have been penalized by the CSRC and other relevant authorities or reprimanded by stock exchanges;
- (v) whether they possess the qualifications required by the laws, administrative regulations, departmental rules, normative documents, the securities regulatory rules of the place where the Company's shares are listed or the Articles of Association;

Other than the Directors and Supervisors elected through the cumulative voting system, each candidate for Director or Supervisor shall be proposed in a separate proposal.

**Article 58** After the notice of the shareholders' meeting is issued, the shareholders' meeting shall not be postponed or canceled without justifiable reasons, and the proposals listed in the notice of the shareholders' meeting shall not be canceled. Once there is a postponement or cancelation, the convener shall make an announcement and explain the reasons at least 2 working days before the original date of the convening. If the securities regulatory rules of the place where the Company's shares are listed have special provisions on the procedures for postponing or canceling the shareholders' meeting, it shall comply with the relevant provisions on the premise of not violating the domestic regulatory requirements.

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

**Article 59** The Board of the Company and other conveners shall take necessary measures to ensure the shareholders' meeting is in order and shall take measures to prevent any interference with the shareholders' meeting, disturbance and violation of the legitimate rights and interests of shareholders and promptly report the same to the relevant authorities for investigation.

**Article 60** All shareholders registered on the record date or their proxies are entitled to attend the shareholders' meeting in accordance with the securities regulatory rules of the place where the Company's shares are listed, and speak and exercise their voting rights at the shareholders' meeting in accordance with the relevant laws, regulations and the Articles of Association (unless a shareholder shall abstain from voting in respect of a specific matter in accordance with the provisions of the securities regulatory rules of the place where the Company's shares are listed).

Shareholders may attend the shareholders' meeting in person, or entrust proxies to attend, speak and vote on their behalf. Each shareholder has the right to appoint one or more proxies, but the proxies need not be shareholders of the Company. The shareholder's proxies may, in accordance with the shareholder's entrustment, exercise the following rights:

- (i) The shareholder's right to speak at the shareholders' meeting;
- (ii) Requesting voting by means of ballot, either on their own or jointly with others;
- (iii) Except as otherwise provided by relevant laws, administrative regulations, the listing rules of the stock exchanges where the Company's shares are listed or other securities laws and regulations, the right to vote shall be exercised by a show of hands or by poll.

**Article 61** Individual shareholders who attend the meeting in person shall produce their identity cards or other effective documents or proofs of identity and stock account cards. Proxies who attend the meeting on behalf of others shall produce their effective documents or proofs of identity, the proxy form and stock account cards.

Corporate Shareholder shall be represented at the meeting by its legal representative or a proxy appointed by the legal representative. If a legal representative attends the meeting, he/she should produce his/her identity card, the copy of business license with official seal and the stock account card; if a proxy attends the meeting, the proxy should produce his/her identity card, proxy form issued by the legal representative of the shareholder that is a legal person according to laws, the copy of business license with official seal and the stock account card.

The proxy form and the effective documents of identity of attendees shall be original copies.

If a shareholder is a recognized clearing house (or its nominee) as defined in the relevant ordinances or regulations of Hong Kong enacted from time to time, the shareholder may authorize one or more persons or the corporate representative(s) as it thinks fit to act as its representative(s) at any meeting, including but not limited to shareholders' meetings and creditors' meetings; however, if more than one person are so authorized, the power of attorney shall specify the number and class of shares in respect of which each such person is authorized, and power of attorney shall be signed by the authorized person of the recognized clearing house. The person so authorized may attend the meeting on behalf of the recognized clearing house (or its nominee) (without being required to present share certificate, notarized authorization and/or further evidence to prove that he/she is duly authorized), speak and exercise the rights at the meeting as if he/she was an individual shareholder of the Company.

**Article 62** A proxy form issued by a shareholder to appoint another person as his/her proxy to attend the shareholders' meeting shall contain the following information:

- (i) the name of the proxy;
- (ii) whether the proxy has voting right or not;
- (iii) separate instructions as to cast votes for, against or abstain on each proposal set out in the agenda of the shareholders' meeting;
- (iv) the signing date and validity period of the proxy form;
- (v) signature (or seal) of the appointing shareholder. If the appointing shareholder is a corporate shareholder, the proxy form shall be affixed with the seal of the legal person or signed by its duly authorized person.

**Article 63** The power of attorney shall specify that, in the absence of instructions from the shareholder, the proxy can vote if he/she so wishes.

**Article 64** The power of attorney for voting by proxy shall be placed at the domicile of the Company or other place specified in the meeting notice 24 hours before the holding of the meeting for which the power of attorney is issued or 24 hours before the designated voting time. If the power of attorney for voting by proxy is signed by the authorized person of the principal, the letter of authority for signing or other authorization documents shall be notarized. The notarized letter of authority or other authorization documents and the power of attorney for voting by proxy shall be placed at the domicile of the Company or other place specified in the meeting notice.

If the appointing shareholder is a corporate shareholder, its legal representative or the person authorized by the board of directors or other decision-making authorities shall attend the shareholders' meeting of the Company as a representative.

**Article 65** The register of attendees shall be prepared by the Company, which shall set out the attendees' names (or the names of the entities they represent), ID numbers, domicile addresses, number of shares with voting rights held or represented and names of the appointing shareholders (or the names of the entities they represent).

**Article 66** The convener(s) and the lawyer engaged by the Company shall jointly verify the legitimacy of the eligibility of the shareholders according to the register of shareholders provided by the securities depository and clearing institution of the place where the Company's shares are listed and the securities regulatory rules of the place where the Company's shares are listed, and register the name of each shareholder and the number of shares with voting rights he/she holds. The meeting registration shall be closed by the time the chairman of the meeting announces the number of shareholders and proxies attending the physical meeting as well as the total number of shares with voting rights held by them.

**Article 67** All Directors, Supervisors and secretary to the Board shall attend shareholders' meetings of the Company upon the commencement thereof, and the general manager (president) and other senior management shall be present at the meeting. Subject to compliance with the securities regulatory rules of the place where the shares of the Company are listed, the aforementioned persons may attend or present at the meeting through the internet, video, telephone or other means with equivalent effect.

**Article 68** A shareholder's meeting shall be presided over by the chairman of the Board. Where the chairman of the Board is unable or fails to perform his/her duties, the meeting shall be presided over by a vice chairman of the Board. Where the vice chairman of the Board is unable or fails to perform his/her duties, the meeting shall be presided over by a Director jointly elected by more than half of the Directors.

A shareholders' meeting convened by the Board of Supervisors shall be presided over by the chairman of the Board of Supervisors. Where the chairman of the Board of Supervisors is unable or fails to perform his/her duties, the meeting shall be presided over by a Supervisor jointly elected by more than half of the Supervisors.

A shareholders' meeting convened by shareholders shall be presided over by a representative elected by convener(s).

Where the chairman of the meeting violates the rules of procedure and makes it impossible to continue the meeting, with the consent of more than half of the shareholders present at the meeting with voting rights, the shareholders' meeting may elect a person to act as the chairman of the meeting and continue the meeting.

**Article 69** The Company formulates the rules of procedure of the shareholders' meeting, which stipulate in detail the convening and voting procedures of the shareholders' meeting, including notice, registration, consideration of proposals, voting, vote-taking, announcement of voting results, formation of meeting resolutions, meeting minutes and signings and announcements, etc., as well as the authorization principles of the shareholders' meeting to the Board, and that the authorization content should be clear and specific. The rules of procedure of the shareholders' meeting shall be annexed to the Articles of Association, drawn up by the Board and approved by the shareholders' meeting.

**Article 70** At the annual shareholders' meeting, the Board and the Board of Supervisors shall report their work for the past year to the shareholders' meeting. Each independent Director shall also present a work report.

**Article 71** Directors, Supervisors and senior management shall provide clarifications and explanations regarding the enquiries and suggestions put forward by shareholders at the shareholders' meeting, except for those involving commercial secrets of the Company which shall not be disclosed at the shareholders' meeting.

**Article 72** The chairman of the meeting shall, prior to voting, announce the number of shareholders and their proxies present at the meeting as well as the total number of voting shares held by them, and the number of shareholders and their proxies present at the meeting and the total number of voting shares held by them shall be subject to registration of the meeting.

**Article 73** The secretary to the Board is responsible for maintaining the minutes of shareholders' meetings. The minutes shall record the following details:

- (i) time, venue, agenda of the meeting, and the name(s) of the convener(s);
- (ii) names of the chairman of the meeting, and the Directors, Supervisors and senior management attending or present at the meeting;
- (iii) the number of shareholders and proxies attending the meeting, total number of voting shares held by them and the proportion of these shares to the total number of the shares of the Company;
- (iv) the consideration process, summaries of speeches and voting result for each proposal;
- (v) enquiries or suggestions of the shareholders, and the corresponding replies or explanations;
- (vi) names of the lawyer, vote counter and scrutinizer;
- (vii) other contents to be recorded in the minutes as specified in the Articles of Association.

**Article 74** The convener(s) shall ensure that the contents of the minutes are true, accurate and complete. Directors, Supervisors, the secretary to the Board, the convener(s) or his/her representative(s) and the chairman of the meeting shall sign on the minutes. The minutes shall be kept together with the attendance record of the attending shareholders, power of attorneys, valid information of online voting and voting by other means, for a period of not less than 10 years.



**Article 75** The convener(s) shall ensure that the shareholders' meeting is conducted continuously until final resolutions are made. In the event that the shareholders' meeting is adjourned or resolutions failed to be reached due to an event of force majeure or other special reasons, necessary measures shall be taken to resume the meeting as soon as possible or terminate that meeting, and an announcement shall be timely made accordingly. At the same time, the convener(s) shall report to the local branch of CSRC where the Company domiciles and Shanghai Stock Exchange.

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

**Article 76** The resolutions of the shareholders' meeting are divided into ordinary resolutions and special resolutions.

An ordinary resolution at a shareholders' meeting shall be passed by more than half of the voting rights held by the shareholders present at the shareholders' meeting (including proxies).

A special resolution at a shareholders' meeting shall be passed by at least two-thirds of the voting rights held by the shareholders present at the shareholders' meeting (including proxies).

**Article 77** The following matters shall be approved by the shareholders' meeting through ordinary resolutions:

- (i) Work reports of the Board and the Board of Supervisors;
- (ii) Plans of earnings distribution and losses recovery schemes drafted by the Board;
- (iii) Appointment or dismissal of the members of the Board and the Board of Supervisors, and their remunerations and the payment method;
- (iv) Annual report of the Company;
- (v) The Company's engagement and dismissal of the accounting firm and the decision on the audit fee of the accounting firm;
- (vi) Other matters other than those shall be approved by special resolutions stipulated in the laws, administrative regulations, securities regulatory rules of the place where the Company's shares are listed or the Articles of Association.

**Article 78** The following matters shall be approved by special resolutions at the shareholders' meeting:

- (i) The increase or reduction of the registered capital of the Company;
- (ii) The division, merger, dissolution and liquidation of the Company;
- (iii) Any amendment to the Articles of Association;
- (iv) The purchase and sale of material assets or amount of guarantee provided by the Company within one year valued at more than 30% of the audited total assets of the Company as at the most recent period;
- (v) Share incentive plans;



- (vi) Other matters as required by the laws, administrative regulations, the securities regulatory rules of the place where the shares of the Company are listed or the Articles of Association, and considered by the shareholders' meeting, by way of an ordinary resolution, to be of a nature which may have a material impact on the Company, shall be passed by a special resolution.

**Article 79** Shareholders (including proxies) shall exercise voting rights based on the number of shares with voting rights held by them, and each share shall be entitled to one vote. On a poll taken at a meeting, H Shareholders (including proxies) having two or more votes need not cast all their votes in the same way.

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

The shares of the Company held by the Company shall have no voting right, and shall not be included in the total number of shares with voting rights of shareholders present at the shareholders' meeting.

If a shareholder purchases shares with voting rights of the Company in violation of the provisions of Article 63(1) and (2) of the Securities Law, the voting rights of such shares in excess of the prescribed proportion shall not be exercised and shall not be counted towards the total number of shares with voting rights present at the shareholders' meeting for thirty-six months after the purchase.

If any shareholder, under applicable laws and regulations and Hong Kong Listing Rules, is required to abstain from voting on any particular matter being considered or is restricted to voting only for or only against any particular matter being considered, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

The Company's Board, independent Directors, shareholders holding more than 1% of the shares with voting rights or investor protection agencies established in accordance with laws, administrative regulations or the provisions of the securities regulatory authorities of the place where the Company's shares are listed may publicly solicit general voting rights. When soliciting general voting rights, the specific voting intentions and other information shall be fully disclosed to the persons whose voting rights are being solicited. Compensation or disguised compensation for soliciting shareholders voting rights is prohibited. The Company shall not impose minimum shareholding restrictions on the solicitation of voting rights other than the statutory conditions.

**Article 80** When a related party (connected) transaction is considered at a shareholders' meeting, the related (connected) shareholders shall abstain from voting and the number of voting shares that they represent shall not be counted towards the total number of valid voting shares. Announcement of resolutions of the shareholders' meeting shall fully disclose the voting of non-related (non-connected) shareholders.

The related (connected) general abstention and voting procedures at the shareholders' meeting are as follows:

- (i) Where any matter considered at the shareholders' meeting is related (connected) to a shareholder, such related (connected) shareholder shall disclose the related (connected) relationship to the Board in detail before the date of the shareholders' meeting;

- (ii) When the related party (connected) transactions are considered at the shareholders' meeting, the chairman of the meeting shall declare the related (connected) relationship between the related (connected) shareholders and the related party (connected) transactions; the chairman of the meeting shall clearly announce that the related (connected) shareholders shall abstain from voting, and the related party (connected) transactions shall be considered and voted on by the non-related (non-connected) shareholders;
- (iii) Resolutions on related party (connected) transactions must be passed by more than half of the voting shares of the non-related (non-connected) shareholders present at the meeting;
- (iv) If a related (connected) shareholder fails to disclose related party (connected) information or abstain from voting in accordance with the above procedures in respect of the related party (connected) transactions, the shareholders' meeting shall have the right to revoke all resolutions regarding the related party (connected) transactions.

**Article 81** Except in special circumstances such as when the Company is in crisis, the Company will not enter into any contract with any person other than the Directors or senior management to entrust the management of all or significant businesses of the Company to such person, unless otherwise approved by a special resolution at the shareholders' meeting.

**Article 82** The list of candidates for Directors and Supervisors shall be submitted to the shareholders' meeting for voting in the form of proposals.

When voting at the shareholders' meeting for the election of Directors and Supervisors, the cumulative voting system may be implemented according to the provisions of the Articles of Association or the resolutions at the shareholders' meeting, and competitive election approach may be adopted. Under the competitive election approach, the number of candidates shall be more than the number of positions to be elected.

The cumulative voting system mentioned in the preceding paragraph means that in electing Directors or Supervisors at the shareholders' meeting, the voting right(s) carried by each share shall be the same as the number of Directors or Supervisors to be elected, and the voting right(s) of the shareholders can be exercised on a concentration basis. The Board shall announce the biographical details and basic information of the candidates for Directors and Supervisors to the shareholders.

The methods and procedures for the nomination of Directors and Supervisors are as follows:

- (i) The Board may submit a nomination proposal for non-employee representative Directors to the shareholders' meeting. Shareholders individually or jointly holding more than 1% of the Company's shares may recommend and nominate the candidates for non-employee representative Directors to the Board in writing. After the Board reviews the eligibility of such candidates, the proposal will be submitted to the shareholders' meeting for election.
- (ii) The Board of Supervisors may submit a nomination proposal for non-employee representative Supervisors to the shareholders' meeting. Shareholders individually or jointly holding more than 1% of the Company's shares may recommend and nominate the candidates for non-employee representative Supervisors to the Board of Supervisors in writing. After the Board of Supervisors reviews the eligibility of such candidates, the proposal will be submitted to the shareholders' meeting for election.

- (iii) The employee representative Supervisors of the Board of Supervisors shall be elected by the Company's employees at the employee representatives meeting, employee meeting or otherwise democratically.
- (iv) The methods and procedures for the nomination of independent Directors shall be governed by relevant laws, administrative regulations and departmental rules.

**Article 83** Save under the cumulative voting system, all proposals will be voted on a case-by-case basis at the shareholders' meeting. In the event of several proposals for the same matter, such proposals shall be voted on and resolved in the order of time at which they are submitted. Unless the shareholders' meeting is adjourned or unable to make resolutions due to special reasons such as force majeure, the shareholders' meeting will not shelve or refuse to vote on the proposals.

**Article 84** No amendments shall be made to a proposal when it is considered at a shareholders' meeting, otherwise, the relevant amendment shall be deemed as a new proposal and shall not be resolved at the current shareholders' meeting.

**Article 85** The same voting right may only be exercised once at a shareholders' meeting, either by on-site voting, online voting or other voting methods. In the event of repeated voting with the same voting right, the result of the first voting shall prevail.

**Article 86** Unless otherwise required by relevant laws and regulations and the listing rules of the stock exchanges where the Company's shares are listed, voting at the shareholders' meeting shall be conducted by way of open ballot.

**Article 87** Before voting on a proposal at the shareholders' meeting, two shareholder representatives shall be nominated to count and scrutinize the votes. Where a shareholder has interests in the matter to be considered, the relevant shareholder and his/her proxy shall not participate in the counting or scrutinizing of votes.

When voting on a proposal at a shareholders' meeting, lawyers, shareholder representatives and Supervisor representatives shall be jointly responsible for counting and scrutinizing the votes, and the voting results of the resolutions shall be announced on the spot and recorded in the minutes of the meeting.

Shareholders of a listed company or their proxies who vote through online or other means have the right to check their voting results through the corresponding voting system.

**Article 88** The on-site shareholders' meeting shall not be concluded earlier than the online meeting or meeting held by other means. The chairman of the meeting shall announce the voting details and results of each proposal, and whether a proposal is passed according to the voting results.

Before the official announcement of the voting results, the listed company, the persons responsible for counting and scrutinizing the votes, substantial shareholders, online services provider and other relevant parties involved in the on-site meeting, online meeting or that held by other means shall be under an obligation to keep the voting results strictly confidential.

**Article 89** Shareholders attending the shareholders' meeting shall express one of the following opinions on the proposals put forward for voting: for, against or abstention, except where the securities registration and clearing institution, as the nominal holder of the shares under the Stock Connect mechanism between the mainland and Hong Kong stock markets, makes the declaration according to the intention of the actual holders.

Unfilled, incorrectly filled, illegible or uncast votes will be regarded as the voters having given up their voting rights and the voting results of the shares held by them shall be counted as "abstention".

**Article 90** If the chairman of the meeting has any doubt as to the voting results of the resolutions, the chairman may demand votes to be recounted. If the chairman of the meeting does not have the votes recounted, the shareholders attending the meeting or their proxies who have any objection to the voting results announced by the chairman of the meeting shall have the right to demand the votes to be recounted immediately after the announcement of the voting results, and the chairman of the meeting shall arrange for the votes to be recounted immediately.

**Article 91** The resolutions passed at the shareholders' meeting shall be announced in a timely manner, and the announcement shall specify the number of shareholders and proxies attending the meeting, the total number of shares with voting rights held by them and the proportion to the total number of shares with voting rights in the Company, the voting method, the voting result of each proposal and the details of the respective resolutions passed.

**Article 92** If the proposal is not passed, or the shareholders' meeting alters a resolution passed at the previous shareholders' meeting, a special note shall be made in the announcement of the resolutions of the shareholders' meeting.

**Article 93** The term of office of the newly appointed Directors and Supervisors shall commence on the date when the proposal on the election of such Directors and Supervisors is passed at the shareholders' meeting.

**Article 94** If the proposal in relation to the payment of cash dividends, the distribution of bonus shares or conversion of the capital reserves into share capital is passed at the shareholders' meeting, the Company will implement the specific plan within 2 months after the conclusion of the shareholders' meeting. If the specific plan cannot be implemented within 2 months due to the requirements of the laws and regulations and the securities regulatory rules of the place where the Company's shares are listed, the implementation date of the specific plan may be adjusted accordingly in accordance with such requirements and the actual situation.

## **CHAPTER V BOARD OF DIRECTORS**

### **Section 1 Directors**

**Article 95** Directors may include executive Directors, non-executive Directors, and independent Directors. Independent Directors refer to persons who meet the requirements stipulated in the Article 104 of the Articles of Association. Directors of the Company shall be natural persons and shall have the qualification required by the laws, administrative regulations, departmental rules and the securities regulatory rules of the place where the shares of the Company are listed. A person may not serve as a Director of the Company in case of any of the following circumstances:

- (i) the person without civil conduct capacity or with limited civil conduct capacity;
- (ii) the person who has committed an offense of corruption, bribery, conversion of property, misappropriation of property or sabotaging the market economic order of socialism and has been punished therefor; or who has been deprived of his/her political rights, in each case where less than 5 years have elapsed since the date of the completion of implementation of such punishment or deprivation; in the case of a suspended sentence, for a period not exceeding two years from the date of expiry of the probationary period;
- (iii) the person who is a former director, factory director or general manager of a company or enterprise which is insolvent and under liquidation and he/she is personally liable for the insolvency of such company or enterprise, where less than 3 years have elapsed since the date of the completion of such insolvency and liquidation of the company or enterprise;
- (iv) the person who is a former legal representative of a company or enterprise which had its business license revoked and was ordered to shut down due to a violation of the law and who incurred personal liability, where less than 3 years have elapsed since the date of such revocation of the business license and being ordered to shut down;
- (v) the person listed as a judgment defaulter by the people's court because the amount of debt he bears is relatively large and the debt is not settled when it is due;
- (vi) the person has been banned by the CSRC or Hong Kong Stock Exchange from access to the securities market, and the term of prohibition has not expired;
- (vii) other contents stipulated by laws, administrative regulations or departmental rules or the securities regulatory rules of the place where the shares of the Company are listed.

Where a Director is elected or appointed in violation of the provisions set out in this Article, the election, appointment or appointment shall be void. If a Director is involved in said circumstances during his or her tenure, the Company shall dismiss him or her from office.

**Article 96** Directors shall be elected or replaced at the shareholder's meeting and may be dismissed (including executive Directors) by the shareholders' meeting prior to the expiry of the term of their office by way of an ordinary resolution. Such dismissal shall not prejudice the Director's claim for damages under any contract. A Director shall serve a term of three years and may serve consecutive terms if re-elected upon the expiration of their terms in accordance with securities regulatory rules of the place where the shares of the Company are listed.

The term of office of a Director shall commence from the date of taking the position until the expiry of the term of office of the current session of the Board. Where a re-election fails to be carried out in a timely manner upon the expiry of the term of office of a Director, such Director shall continue to perform his/her duties as a Director until a re-elected Director takes office in accordance with the laws, administrative regulations, departmental rules and the Articles of Association.

General manager (president) or other senior management officers may serve concurrently as Directors, provided that the total number of such Directors who concurrently serve as general manager (president) or other senior management personnel and the employee representatives shall not exceed a half of the total number of the Directors of the Company.

Procedures for election of Directors:

- (i) to propose a list of candidates for Directors in accordance with the Article 82 of the Articles of Association;
- (ii) the Company shall provide the detailed information of the candidates for Directors by announcement prior to the shareholders' meeting to ensure the shareholders have informed knowledge of the candidates when voting;
- (iii) prior to the convening of the shareholders' meeting, the candidates for Directors shall provide an undertaking in writing to accept the nomination, warrant that the information disclosed is true and complete and undertake that they will fulfill their obligations as Directors upon election;
- (iv) the list of candidates for Directors shall be submitted to the shareholders' meeting in the form of a proposal for voting;
- (v) when the shareholders' meeting considers proposals for election of Directors, it shall vote on each of the candidates for Directors individually;
- (vi) where a proposal for the election of Directors is passed, the newly elected Director shall assume office immediately after the conclusion of the meeting;
- (vii) in the process of electing Directors, the cumulative voting system shall be adopted if the CSRC and the Shanghai Stock Exchange require the adoption of the cumulative voting system.

**Article 97** Directors shall comply with the laws, administrative regulations and the Articles of Association, and shall owe the following fiduciary obligations to the Company:

- (i) shall not use their authority to accept bribes or other illegal income and not to misappropriate the property of the Company;
- (ii) shall not misappropriate funds of the Company;
- (iii) shall not open accounts in which the assets or funds of the Company are deposited in his or her personal name or in the name of other individuals;
- (iv) shall not lend the Company's funds to others or provide security for others with the Company's property without the consent of the shareholders or the Board in contravention of the provisions of the Articles of Association;
- (v) shall not enter into contracts or transactions with the Company, without reporting to the Board or the shareholders and obtaining approval through resolutions by the Board or the shareholders as stipulated in the Articles of Association;



- (vi) shall not take advantage of their positions to seek business opportunities for themselves or others that should have otherwise been available to the Company, before obtaining consent from the shareholder or the Board, except in the following circumstances:
  - (1) reporting to the Board or the shareholders and being approved by a resolution of the Board or the shareholders in accordance with the provisions of the Articles of Association;
  - (2) where the Company is not permitted to make use of the business opportunity in accordance with the provisions of the law, administrative regulations or the Articles of Association.
- (vii) shall not engage in business of the same kind as that of the Company either for themselves or on behalf of others, without reporting to the Board or the shareholders and obtaining approval by resolutions of the Board or the shareholders as stipulated in the Articles of Association;
- (viii) shall not accept commissions paid by others for transactions conducted with the Company as their own;
- (ix) shall not disclose the Company's secret without authorization;
- (x) shall not abuse their related (connected) relationships to damage the Company's interests;
- (xi) shall have other fiduciary obligations stipulated in laws, administrative regulations, departmental rules, securities regulatory rules of the place where the shares of the Company are listed and the Articles of Association.

Any income obtained by a Director in violation of the provisions set out in this Article shall belong to the Company; if losses are caused to the Company, the Director shall be liable for compensation.

**Article 98** Directors shall abide by laws, administrative regulations and the Articles of Association, and have the following diligent obligations to the Company, and exercise the reasonable care that shall be generally possessed by a manager for the best interests of the Company when performing their duties:

- (i) shall prudently, earnestly and diligently exercise the powers the Company grants to them to ensure that the Company conducts its commercial activities in a manner that complies with the requirements of state laws, administrative regulations and various national economic policies, and that the commercial activities do not go beyond the scope of the business activities stipulated in the business license;
- (ii) shall treat all shareholders fairly;
- (iii) shall maintain a timely awareness of the operation and management of the Company;
- (iv) shall sign written statements confirming the regular reports of the Company, and ensure that the information disclosed by the Company is true, accurate and complete;



- (v) shall truthfully provide information and materials to the Board of Supervisors and shall not obstruct the Board of Supervisors or individual Supervisors from performing its or their duties;
- (vi) other obligations of diligence stipulated in the laws, administrative regulations, departmental rules, the securities regulatory rules of the place where the Company's shares are listed and the Articles of Association.

**Article 99** If any Director fails to attend Board meetings, either in person or by authorizing another Director on his/her behalf, for two consecutive meetings, he/she shall be deemed as failing to perform his/her duties. The Board shall propose at the shareholders' meeting to replace such Director. If a Director attends a Board meeting via internet, video, telephone or other means with equivalent effect, in accordance with the securities regulatory rules of the place where the shares of the Company are listed, it shall also be deemed that he or she has attended the meeting in person.

**Article 100** Directors may resign prior to the expiration of their terms of office. The Directors who resign shall submit to the Board a written report in relation to their resignation. Relevant information shall be disclosed by the Board within 2 days or the period required by the securities regulatory rules of the place where the Company's Shares are listed.

In the event that the resignation of any Director results in the number of members of the Board falling below the statutory minimum requirement, such Director shall continue to perform his/her duties in accordance with laws, administrative regulations, departmental rules and the Articles of Association until the newly elected Director assumes the office.

Otherwise, a Director's resignation shall be effective from the time such resignation report is delivered to the Board.

**Article 101** When the resignation of a Director takes effect or his/her term of service expires, the Director shall complete all handover processes with the Board. His/her fiduciary duty to the Company and shareholders shall remain in effect before the resignation report becomes effective or after the resignation report becomes effective, and for one year after the end of the term of office, and the obligation to keep the Company's trade secrets confidential shall remain in effect after the end of his or her term of office until the secret becomes public information.

The terms for which other continuing obligations shall be decided upon in accordance with the principle of fairness, depending on the time which has elapsed between the termination of tenure and the occurrence of the matter and the circumstances and conditions under which the relationship with the Company is terminated.

**Article 102** Without the provisions of the Articles of Association or the lawful authorization of the Board, no Director shall act in his/her own name on behalf of the Company or the Board. When a Director acts in his/her own name, the Director shall declare his/her position and identity in advance if the third party reasonably believes that the Director is acting on behalf of the Company or the Board.

**Article 103** If a Director breaches the laws, administrative regulations, departmental rules or the Articles of Association when performing his or her duties and causes loss to the Company, he or she shall be held responsible for damages.

If a Director causes losses to others in performing his/her duties, the Company shall be liable for compensation; the Director shall also be liable for compensation if there is intentionality or gross negligence on his/her part.

The Company may take out liability insurance to cover the liability of the Directors for the indemnity obligations arising from the performance of the Company's duties during the Directors' tenure of office.

After the Company has taken out or renewed liability insurance for a Director, the Board shall report to the shareholders about the amount of liability insurance taken out, the scope of coverage and the insurance premium rate, etc.,

**Article 104** The qualifications, nomination and election procedures, powers and related matters of independent Directors shall be implemented in accordance with the relevant provisions of laws, administrative regulations, departmental rules and securities rules of the place where the Company's shares are listed.

The number of independent Directors shall not be less than three and shall not be less than one-third of the total number of Directors, and shall include at least one independent Director who has appropriate professional qualifications or accounting or related financial management expertise in accordance with the requirements of the Hong Kong Listing Rules, the Measures for the Administration of Independent Directors of Listed Companies and other relevant regulations. One independent Director shall reside permanently in Hong Kong. All independent Directors must be independent as required under the Hong Kong Listing Rules.

## **Section 2 Board of Directors**

**Article 105** The Company has established a Board of directors which shall be accountable to the shareholders.

**Article 106** The Board shall comprise 9 to 13 Directors, with 1 chairman. The Board may appoint 1 vice chairman.

**Article 107** The Board shall exercise the following duties and powers:

- (i) to convene shareholders' meetings and report its work to the shareholders' meetings;
- (ii) to implement the resolutions of the shareholders' meetings;
- (iii) to resolve business operation plans and investment plans of the Company;
- (iv) to formulate the profit distribution plans and plans for recovery of losses of the Company;
- (v) to formulate plans of the Company regarding increase or reduction of the registered capital, issuance of bonds or other securities and listing;
- (vi) to draft plans for significant acquisitions of the Company, the purchase of shares of the Company, merger, division, dissolution or change of the form of the Company;

- (vii) to determine, to the extent authorized by the shareholders' meeting, on such matters as the external investments, purchase or sale of assets, assets mortgage, external guarantee, entrusted wealth management, related (connected) transactions of the Company;
- (viii) to determine the internal management structure of the Company;
- (ix) to determine the appointment or dismissal of the general manager (president) of the Company, the Board secretary; and based on the nomination of the general manager (president), to determine the appointment or dismissal of the senior management including executive vice president, senior vice president and chief financial officer of the Company and determine their remuneration, rewards and penalties;
- (x) to formulate the basic management system of the Company;
- (xi) to formulate proposals for any amendment of the Articles of Association;
- (xii) to manage the information disclosure of the Company;
- (xiii) to propose to the shareholders' meeting for appointment or replacement of the accounting firms which provide audit services to the Company;
- (xiv) to listen to work reports of the general manager (president) of the Company and review his/her work;
- (xv) to review and approve the Company's ESG strategy, vision and goals, and monitor the Company's ESG performance and progress towards related goals;
- (xvi) other duties as stipulated in laws, administrative regulations, departmental rules, securities regulatory rules of the place where the shares of the Company are listed and the Articles of Association.

The Board of the Company has established the Audit Committee, the Strategy Committee, the Nomination Committee, and the Remuneration and Evaluation Committee. The special committees are responsible to the Board and shall perform their duties in accordance with the Articles of Association and the authorization of the Board, and the proposal shall be submitted to the Board for consideration and approval. The members of the special committees are composed of all Directors, of which the independent Directors of the Audit Committee, the Nomination Committee and the Remuneration and Evaluation Committee shall account for the majority and serve as the chairman (convener), and the members of the Audit Committee shall be Directors who do not serve as senior management of the Company, and the chairman shall be an accounting professional. The Board is responsible for formulating the detailed terms of reference of the special committees and regulating the operation of the special committees.

Matters beyond the scope of authorization of the shareholders shall be submitted to the shareholders' meeting for deliberation.

**Article 108** The Board shall make explanations to the shareholders' meeting in relation to the non-standard audit opinions expressed by the certified public accountants in the financial reports of the Company.

**Article 109** The Board shall formulate rules of procedure for the Board meetings in order to make sure that the Board shall implement the resolutions made by the shareholders' meeting, improve the work efficiency and guarantee scientific decision-making.

**Article 110** The Board shall determine the right relating to external investments, purchase or sale of assets, assets mortgage, external guarantee, entrusted wealth management, related (connected) transactions, and shall establish strict examination and decision-making procedures; and arrange relevant experts and professionals to assess on material investment projects. When the Company's use of funds for external investments meets the review standards by the shareholders' meeting as stipulated in the relevant requirements of the securities regulatory authorities and stock exchanges of the place where the shares are listed, it shall be submitted to the shareholders' meeting for approval; when the Company's use of funds for external investments does not meet the review standards by the shareholders' meeting as stipulated in the relevant requirements of the securities regulatory authorities and stock exchanges of the place where the shares are listed, the decision-making power shall vest to the Company's Board. Important matters that do not meet the review standards of the Board shall be decided by the chairman of the Board.

**Article 111** The chairman and vice chairman of the Board shall be elected by more than half of all Directors.

**Article 112** The chairman of the Board shall exercise the following functions and powers:

- (i) to preside over shareholders' meetings, convene and preside over the Board meetings;
- (ii) to monitor and check the implementation of the Board's resolutions;
- (iii) to approve other external investments, purchase or sale of assets, assets mortgage and pledge, external guarantee, entrusted wealth management, related (connected) transactions, external donations, etc., except those that require approval by the shareholders' meeting/Board in accordance with the relevant provisions of the Listing Rules of Shanghai Stock Exchange and the Listing Rules of Hong Kong Stock Exchange and the provisions of the Articles of Association;
- (iv) other functions and powers as authorized by the Board.

**Article 113** The vice chairman of the Board shall assist the chairman of the Board in work. Where the chairman of the Board is unable or fails to perform his/her duties, the duties shall be performed by the vice chairman; Where the vice chairman of the Board is unable or fails to perform his/her duties, the duties shall be performed by a Director jointly elected by more than half of the Directors.

**Article 114** The Board shall convene at least one meeting per quarter, which shall be convened by the chairman of the Board, and shall give written notice (including personal delivery, facsimile or e-mail) to all Directors and Supervisors 14 days prior to the convening of the meeting.

**Article 115** Shareholders representing more than 1/10 of the voting rights, more than 1/3 of the Directors or the Board of Supervisors may propose to convene an extraordinary meeting of the Board. The chairman of the Board shall convene and preside over the Board meeting within 10 days from the receipt of the proposal.

**Article 116** The notice of an extraordinary meeting of the Board shall be served by: phone, facsimile or e-mail. The time limit of such notice is: 7 days before convening the extraordinary meeting. In exceptional circumstances, the Board may convene a meeting at any time, provided that it is ensured that the notice reaches all Directors in a timely and effective manner.

**Article 117** The notice of the Board meeting shall include the following:

- (i) the time and venue of the meeting;
- (ii) the duration of the meeting;
- (iii) the reasons and subject matters;
- (iv) the date of issuing the notice;
- (v) the way for convening the meeting.

**Article 118** The quorum of a Board meeting shall be more than half of all Directors. A resolution of the Board shall be passed by more than half of all Directors. Where the laws, regulations and the securities regulatory rules of the place where the Company's shares are listed and the Articles of Association provide otherwise in respect of the matter, such rules shall also be applicable.

As for the voting on a Board resolution, each Director shall have one vote.

**Article 119** Where a Director has any related (connected) relationship with the enterprise involved in the matter to be decided at the Board meeting, he/she shall report to the Board in writing timely and shall not exercise his/her voting rights on the resolution, nor shall he/she exercise voting rights on behalf of other Directors. The quorum of such a Board meeting shall be more than half of all the non-related/non-connected Directors, and the resolutions made at such a Board meeting shall require adoption by more than half of all the non-related/non-connected Directors. If the number of non-related/non-connected Directors in presence is less than 3, the matter shall be submitted to the shareholders' meeting for deliberation. If there are any additional restrictions imposed by laws and regulations and the securities regulatory rules of the place where the shares of the Company are listed on the participation of Directors in the Board meetings and voting, such provisions shall apply.

**Article 120** The means of the voting on Board resolutions is: to vote either by open ballot or by show of hands.

As long as Directors can fully express their opinions at the extraordinary Board meeting, resolutions may be passed via phone, facsimile or e-mail, etc., and signed by participating Directors.

Directors shall sign on resolutions of the Board and be liable therefor. If a resolution of the Board is in violation of laws, regulations or the Articles of Association, thereby causing losses to the Company, Directors who take part in the resolution shall be liable to the Company for damages. However, if a Director is proved to have expressed his/her opposition to such resolution when it was put to the vote, and such opposition is recorded in the minutes of the meeting, such Director may be exonerated from liability.

**Article 121** Directors shall attend Board meetings in person. If any Director is unable to attend the meeting for any reason, he/she may by a written power of attorney appoint another Director to attend the meeting on his/her behalf. The power of attorney shall include the name of the proxy, the subject, scope of authorization and validity period, which shall be signed or officially sealed by the appointing Director. A Director appointed as the representative of another Director to attend the meeting shall exercise the rights of a Director within the scope of authorization. Where a Director does not attend a Board meeting and does not appoint a proxy to attend the meeting on his behalf, he/she shall be deemed to abstain from voting in such meetings.

**Article 122** The Board shall make minutes of the decisions made on the matters discussed at the meeting, and the Directors present at the meeting shall sign on the minutes.

The minutes of the Board meeting shall be kept as archives of the Company for a period of not less than ten years.

**Article 123** Minutes of the Board meeting shall include the following particulars:

- (i) date and venue of the meeting and the name of the convener;
- (ii) the names of Directors present and the names of Directors (proxies) entrusted by others to attend the Board meeting;
- (iii) meeting agenda;
- (iv) key points of Directors' speeches;
- (v) the manner of voting and the results of each resolution (the results of the vote shall indicate the number of votes cast in favor, against or abstentions).

## **CHAPTER VI GENERAL MANAGER (PRESIDENT) AND OTHER SENIOR MANAGEMENT MEMBERS**

**Article 124** The Company shall have one general manager (president) who shall be nominated by the chairman of the Board and appointed or dismissed by the Board.

The Company may have several executive vice presidents and senior vice presidents.

The senior management of the Company refers to the general manager (president), executive vice president, senior vice president, secretary to the Board and chief financial officer appointed by the Board.

**Article 125** The circumstances of disqualification for Directors prescribed in Article 95 of the Articles of Association shall also be applicable to senior management.

The provisions concerning the fiduciary duty of the Directors prescribed in Article 97 and the diligence duty of the Directors prescribed in Article 98 (iv) to (vi) of the Articles of Association shall also be applicable to senior management.

**Article 126** A person who holds a position other than that of a director or supervisor in the entities of the controlling shareholder or de facto controller of the Company shall not act as senior management of the Company.



Senior management personnel of the Company shall receive their salaries only from the Company and shall not be paid by the controlling shareholder on behalf of the Company.

**Article 127** The general manager (president) shall serve for a term of 3 years and may serve consecutive terms if re-appointed.

**Article 128** The general manager (president) is responsible to the Board and exercises the following powers:

- (i) to be in charge of the Company's production, operation and management, and to organize and implement the resolutions of the Board and report on works to the Board;
- (ii) to organize and implement the Company's annual business plan and investment proposals;
- (iii) to draft plans for the establishment of the Company's internal management organization;
- (iv) to draft the Company's basic management system;
- (v) to draft the Company's specific regulations;
- (vi) to propose to the Board on the appointment or dismissal of executive vice president, senior vice president and chief financial officer of the Company;
- (vii) to appoint or dismiss management personnel other than those required to be appointed or dismissed by the Board;
- (viii) other functions and powers conferred by the Articles of Association or the Board.

The general manager (president) may be present at meetings of the Board.

**Article 129** The general manager (president) shall formulate a set of detailed rules for the work of the general manager (president) and submit to the Board for approval before implementation.

**Article 130** The detailed rules for the work of the general manager (president) shall include the following particulars:

- (i) the conditions and procedures for convening the meeting of the general manager (president) and the persons to attend such meeting;
- (ii) the specific responsibilities of each of the general manager (president) and other senior management personnel and the allocation of their job duties;
- (iii) the authority of utilization of the Company's funds and assets, the authority to enter into major contracts, and the reporting system to the Board and the Board of Supervisors;
- (iv) such other matters as the Board deems necessary.



**Article 131** The general manager (president) may resign before the expiration of his/her term of office. The specific procedures and methods relating to the resignation of the general manager (president) shall be set out in the service contract between the general manager (president) and the Company.

**Article 132** The Company may appoint executive vice presidents and senior vice presidents based on its operation and management needs. The executive vice presidents and senior vice presidents shall be appointed or dismissed by the Board according to the nomination of the general manager (president).

The executive vice presidents and senior vice presidents of the Company shall be accountable to the general manager (president), perform their duties in accordance with the authorities delegated by the general manager (president), and assist the general manager (president) in his/her work.

**Article 133** The Company shall have a Board secretary who is nominated by the chairman of the Board and appointed or dismissed by the Board. The Board secretary is responsible for preparing for the shareholders' meetings and Board meetings, and maintaining documents and managing general information, as well as handling information disclosure matters.

The Board secretary shall comply with the relevant provisions of laws, administrative regulations, departmental rules and the Articles of Association.

**Article 134** Senior management who violates the provisions of laws, administrative regulations, departmental rules and the Articles of Association in the performance of their duties and causes damage to the Company shall be liable for compensation.

The Company shall be liable for compensation if the senior management causes damage to others in the performance of their duties; if the senior management commits intentional or gross negligence, they shall also be liable for compensation.

**Article 135** The senior management of the Company shall perform their duties faithfully 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 fiduciary duties, causing damage to the interests of the Company and public shareholders, they shall be liable for compensation in accordance with the laws.

## **CHAPTER VII BOARD OF SUPERVISORS**

### **Section 1 Supervisors**

**Article 136** The circumstances of disqualification for Directors prescribed in Article 95 of the Articles of Association shall also be applicable to Supervisors.

Directors, the general manager (president) and other senior management shall not concurrently serve as Supervisors.

**Article 137** Supervisors shall comply with the laws, administrative regulations and the Articles of Association. The provisions concerning the fiduciary duty of the Directors prescribed in Article 97 and the diligence duty of the Directors prescribed in Article 98 (iv) to (vi) of the Articles of Association shall also be applicable to Supervisors.

**Article 138** A Supervisor shall serve for a term of 3 years and may serve consecutive terms if re-appointed upon expiry of a term.

**Article 139** Where a re-election fails to be carried out in a timely manner upon the expiry of the term of office of a Supervisor, or in the event that the resignation of the Supervisor during his/her term of office results in the number of members of the Board of Supervisors falling below the statutory requirement, such Supervisor shall continue to perform his/her duties as a Supervisor in accordance with the laws, administrative regulations and the Articles of Association until the re-elected Supervisor assumes the office.

**Article 140** Supervisors shall ensure that the information disclosed by the Company shall be true, accurate and complete and shall sign a written confirmation of its periodic reports.

**Article 141** Supervisors may be present at meetings of the Board and make enquiries or recommendations on matters to be resolved by the Board.

**Article 142** Supervisors shall not use their related (connected) relationships to damage the interests of the Company, and shall be liable for compensation if they cause losses to the Company.

**Article 143** If the Supervisors violate the laws, administrative regulations, departmental rules and the Articles of Association when performing their duties, causing damage to the interests of the Company, they shall be liable for compensation.

## **Section 2 Board of Supervisors**

**Article 144** The Company shall have a Board of Supervisors. The Board of Supervisors comprises 3 Supervisors with 1 chairman. The chairman and vice chairman of the Board of Supervisors shall be elected by more than half of all the Supervisors. The chairman of the Board of Supervisors shall convene and preside over meetings of the Board of Supervisors. Where the chairman of the Board of Supervisors is unable or fails to perform his/her duties, the meetings of the Board of Supervisors shall be convened and presided over by a Supervisor jointly elected by more than half of the Supervisors.

The Board of Supervisors shall include representatives of shareholders and a proper proportion of employee representatives of the Company. The proportion of employee representatives shall be no less than one third. The employee representatives of the Board of Supervisors shall be elected by the Company's employees at the employee representatives meeting, employee meeting or otherwise democratically.

**Article 145** The Board of Supervisors shall exercise the following duties and powers:

- (i) to review the periodic reports of the Company prepared by the Board and express its written opinion;
- (ii) to check the financial position of the Company;
- (iii) to supervise the performance of Directors and senior management in the performance of their duties, and propose the removal of Directors and senior management who violate laws, administrative regulations, the Articles of Association or the resolutions of the shareholders;

- (iv) to require Directors and the senior management to make corrections if their conduct has damaged the interests of the Company;
- (v) to propose the convening of extraordinary shareholders' meetings and, in the event that the Board fails to perform the obligations to convene and preside over the shareholders' meetings in accordance with the Company Law, to convene and preside over the shareholders' meetings;
- (vi) to propose proposals to the shareholders;
- (vii) to file lawsuit against Directors and senior management in accordance with Article 189 of the Company Law;
- (viii) in case of any irregularity identified in the operations of the Company, investigations may be conducted, and if necessary, professional institutions such as accounting firms and law firms may be engaged to assist in their work at the expense of the Company;
- (ix) other functions and powers granted by laws, administrative regulations, departmental rules, the listing rules of the stock exchanges where the Company's shares are listed or the Articles of Association.

**Article 146** The Board of Supervisors shall convene at least one regular meeting every six months. Supervisors may propose to convene an extraordinary meeting of the Board of Supervisors.

Resolutions of the Board of Supervisors shall be passed by more than half of the Supervisors with one vote for each Supervisor.

**Article 147** The Board of Supervisors may formulate a set of rules of procedure of the Board of Supervisors to clarify the method for discussion and voting procedures of the Board of Supervisors, so as to ensure its efficiency of the works and scientific decision-making.

**Article 148** The Board of Supervisors shall make minutes of the decisions made on the matters discussed at the meeting, and the Supervisors present at the meeting shall sign on the minutes.

Supervisors shall have the right to request that certain explanatory notes be made in the minutes of their speeches at the meeting. The minutes of the meeting of the Board of Supervisors shall be kept as archives of the Company for a period of not less than ten years.

**Article 149** The notice of the meeting of the Board of Supervisors shall include the following:

- (i) the time and venue of the meeting and the duration of the meeting;
- (ii) the reasons and subject matters;
- (iii) the date of issuing the notice.

## **CHAPTER VIII FINANCIAL ACCOUNTING SYSTEM, DISTRIBUTION OF PROFITS AND AUDIT**

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

**Article 150** The Company shall formulate its financial accounting systems in accordance with laws, administrative regulations, the securities regulatory rules of the place where the shares of the Company are listed and regulations of relevant departments.

The Company's fiscal year is based on the calendar year system, i.e., the fiscal year begins on January 1 and ends on December 31 of each calendar year.

**Article 151** Disclosure of A Share Regular Reports: The Company shall report its annual financial accounting reports to the CSRC and the Shanghai Stock Exchange within 4 months from the ending date of each fiscal year, report its half-year financial accounting report to the delegated authority of the CSRC and the Shanghai Stock Exchange within 2 months from the end of the first 6 months of each fiscal year, report its quarterly financial accounting report to the delegated authority of the CSRC and the Shanghai Stock Exchange within 1 month from the end of the first 3 months and 9 months of each fiscal year.

Disclosure of H Share Regular Reports: Regular reports on the Company's H Shares include annual reports and interim reports. The Company shall disclose a preliminary announcement on the annual results within 3 months from the end of each fiscal year, and complete and disclose the annual report within 4 months from the end of each fiscal year and at least 21 days before the date of the annual shareholders' meeting. The Company shall disclose a preliminary announcement on the interim results within 2 months from the end of the first 6 months of each fiscal year, and shall prepare and disclose the interim report within 3 months from the end of the first 6 months of each fiscal year.

The aforesaid financial accounting reports, annual reports, annual results, interim reports and interim results are prepared in accordance with the relevant laws, administrative regulations, departmental rules and regulations of the securities regulatory authorities and stock exchanges in the places where the shares of the Company are listed.

**Article 152** The Company shall not establish accounts books other than those provided by law. Any assets of the Company shall not be kept under any account opened in the name of any individual.

**Article 153** When distributing after-tax profits of the year, the Company shall allocate 10% of its after-tax profits for the Company's statutory reserve fund. When the aggregate balance in the statutory reserve fund has reached 50% or more of the Company's registered capital, the Company needs not to make any further allocations to that fund.

Where the Company's statutory reserve fund is not enough to make up losses of the Company for the preceding year, the current year's profits shall be applied firstly to make up the losses before being allocated to the statutory reserve in accordance with the preceding provision.

Subject to a resolution passed at a shareholders' meeting, after allocation has been made to the Company's statutory reserve fund from its after-tax profits, the Company may set aside funds for the discretionary reserve fund from its after-tax profits.

Except for those not distributed in proportion as prescribed in the Articles of Association, the remaining after-tax profit, after recovery of losses and appropriation of reserve funds, shall be distributed to shareholders in proportion to their shareholdings.

If the Company distributes profits to shareholders in violation of the provisions of the Articles of Association, shareholders shall refund to the Company the profits distributed in violation of the provisions; if losses are caused to the Company, the shareholders and the responsible Directors, Supervisors and senior management shall be liable for compensation.

No profit shall be distributed in respect of the shares of the Company which are held by the Company.

The Company shall appoint one or more receiving agents in Hong Kong for H shareholders. The receiving agent shall receive and safekeep the dividends and other amounts payable by the Company in respect of the H shares on behalf of the H shareholders concerned, pending payment to such H shareholders. The receiving agent appointed by the Company shall comply with the requirements of laws and regulations and the securities regulatory rules of the place where the Company's shares are listed.

**Article 154** The reserve fund of the Company shall be used for making up for the loss, expansion of the operation or increase of capital of the Company. The discretionary reserve and the statutory reserve shall first be used in making up the losses of the Company, and for any losses left to be set off, the capital reserve may be utilized in accordance with the provisions.

When the statutory reserve fund is capitalized, the retained portion of the fund shall not be less than 25% of the registered capital of the Company before the capitalization.

**Article 155** Upon decision on the profit distribution plan by the shareholders' meeting of the Company, the Board of the Company must complete the distribution of dividends (or shares) within 2 months upon convention of the shareholders' meeting. If the specific plan cannot be implemented within 2 months due to the requirements of laws and regulations and the securities regulatory rules of the place where the Company's shares are listed, the implementation date may be adjusted accordingly in accordance with the relevant regulations and the actual situation.

**Article 156** The profit distribution policy of the Company is set out as below:

(i) Principle of profit distribution

The profit distribution policies of the Company must be consistent and stable, while taking into account the long-term interests of the Company, the interests of the shareholders as a whole, and the sustainable development of the Company.

(ii) Method of profit distribution

The Company may distribute profits in the form of cash, shares or a combination of both, or in any other manner permitted by laws and regulations. The Company shall prioritize the use of cash dividends for profit distribution if meeting the preconditions of the cash dividend.

(iii) Conditions of cash distribution

1. The auditing firm issues a standard unqualified opinion on the Company's annual financial report.
2. The Company records a positive amount of distributable profit for the year (i.e. profit after tax net off provision for losses and statutory reserve appropriations), which has increased year-on-year compared with the previous year.
3. The Company records a positive amount of annual operating cash flow.
4. The Company has no major investment plans or significant cash expenditures or other events (except for fundraising projects).

Major investment plans or significant cash expenditures refer to the cumulative expenditures for external investments, asset acquisitions or equipment purchases proposed by the Company within the next twelve months exceeding 30% of the latest audited net assets of the Company.

5. Subject to meeting the above conditions, the cumulative profit distributed by the Company in cash for every three years shall not be less than 30% of the average annual distributable profit realized in such three years. For the specific dividend ratio for each year, a differentiated cash dividend policy shall be proposed by the Board based on the characteristics of the industry in which the Company operates, the stage of development, the annual profitability of the Company and its future capital utilization plan:
  - (1) Where the Company is in a developed stage with no substantial capital expenditure arrangements, the dividend distributed in the form of cash shall be at least 80% of the current profit distribution;
  - (2) Where the Company is in a developed stage with substantial capital expenditure arrangements, the dividend distributed in the form of cash shall be at least 40% of the current profit distribution;
  - (3) Where the Company is in a developing stage with substantial capital expenditure arrangements, the dividend distributed in the form of cash shall be at least 20% of the current profit distribution;

If it is difficult to determine the Company's stage of development while it has significant capital expenditure arrangements, the profit distribution may be dealt with pursuant to the provisions of subparagraph (3) of Item 5 of the preceding paragraph. The proportion of cash dividends in the profit distribution shall be cash dividends divided by the sum of cash dividends and share dividends.

(iv) Conditions for distributing share dividends

Subject to satisfying the conditions for cash dividend distribution, if the Company's operating income and net profit grow rapidly, and the Board considers that the Company's share capital size and equity structure are reasonable, it may propose and implement a share dividend distribution plan.



(v) Interval of profit distribution period

Subject to satisfying the above conditions for cash dividend distribution, the Company will actively distribute dividends in cash, and in principle, cash dividends will be distributed once a year, and the Board may propose the Company to distribute an interim or year-end cash dividend in accordance with the profitability of the Company and its capital position.

(vi) Decision-making procedures and mechanism for profit distribution

The specific profit distribution plan of the Company shall be formulated and proposed by the Board in accordance with the Company's profitability, funding needs and shareholder return plan. The Board of the Company shall carefully study and justify the timing, conditions and minimum proportion of cash dividends, adjustment conditions and its decision-making procedure requirements. The profit distribution plan shall be submitted at the shareholders' meeting for consideration only if it is approved by a majority of the votes of the Board. The convenor of the shareholders' meeting at which the profit distribution plan is to be considered may provide shareholders with an online voting platform to encourage shareholders to attend the meeting and exercise their voting rights.

(vii) Conditions and decision-making mechanism for adjusting the profit distribution policy

1. The Company's profit distribution policy shall not be adjusted arbitrarily to reduce the level of return to shareholders. If the Company needs to adjust its dividend policy due to the promulgation of new regulations by national laws and regulations and regulatory authorities on the profit distribution policy of listed companies, or there are significant changes in the Company's external operating environment or its own operating conditions, it shall justify and explain the reasons in detail by taking the protection of shareholders' rights and interests as the starting point, and strictly fulfill the decision-making procedures.
2. Where it is indeed necessary to adjust or change the cash dividend policy as provided for in the Articles of Association, the conditions stipulated in the Articles of Association shall be met, and after detailed justification, the Board shall formulate a proposal for the change and submit it at the shareholders' meeting for consideration and approval, and it shall be approved by more than two-thirds of the voting rights held by the shareholders present at the shareholders' meeting.

(viii) Protection of shareholders' interests

1. The Board and the shareholders' meeting of the Company shall give full consideration to the opinions of independent Directors and public shareholders in the process of decision-making and justification of the profit distribution policy. When the shareholders' meeting deliberates on the specific plan for cash dividends, it may take the initiative to communicate and exchange views with shareholders, especially minority shareholders, through a variety of channels, to fully listen to the views and demands of minority shareholders, and to respond to the concerns of minority shareholders in a timely manner.

2. If an independent Director believes that the specific plan for cash dividends might be detrimental to the interests of the Company or minority shareholders, he or she shall have the right to express his/her independent opinions. If the Board does not adopt or does not fully adopt the opinion of an independent Director, the opinion of the independent Director and the specific reason for not adopting the opinion shall be recorded in the resolution of the Board in detail and be disclosed. The independent Directors may collect opinions from minority shareholders for formulating and putting forward a profit distribution proposal to the Board for consideration.
3. If the Company made a profit in the previous fiscal year but the Board did not propose a cash profit distribution plan after the end of the previous fiscal year, it shall provide a detailed explanation of the reasons for the non-distribution of profit and the use of the funds retained in the Company that is not distributed as dividends in its regular reports.
4. The Company shall disclose in detail the formulation and implementation of its cash profit distribution policy in its regular reports, stating whether it is in compliance with the provisions of the Articles of Association or the requirements of the resolutions of the shareholders, whether the criteria and proportion of profit distribution are clear and unambiguous, whether the relevant decision-making procedures and mechanisms are complete, whether the independent Directors have fulfilled their duties and responsibilities and played their due roles, whether the minority shareholders are provided with sufficient opportunities to express their opinions and demands, and whether the legitimate rights and interests of minority shareholders are adequately safeguarded. If the cash dividend policy is adjusted or changed, the conditions and procedures for such adjustment or change shall also be explained in detail as to whether they are compliant and transparent.
5. If any shareholder illegally occupies the Company's funds, the Company shall deduct the cash dividend allocated to such shareholder to repay the amount taken.

## **Section 2 Internal Audit**

**Article 157** The Company implements an internal audit system which is equipped with dedicated audit personnel to conduct internal audits for supervision of financial income and expenditure and economic activities of the Company.

**Article 158** The internal audit system of the Company and the duties of audit personnel shall be implemented upon approval by the Board. The head of audit shall be accountable and report to the Board.

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

**Article 159** The Company shall appoint such accounting firm which has complied with the Securities Law, and the laws, regulations and securities regulatory rules of the place where the shares of the Company are listed for carrying out the audit for the accounting statements, net asset verification, and other relevant consultancy services. The term of appointment shall be 1 year and can be re-appointed.

**Article 160** The appointment of accounting firm by the Company shall be subject to the approval of shareholders. The Board shall not appoint accounting firm before the approval of the shareholders.

**Article 161** The Company guarantees that it shall provide the appointed accounting firm with true and complete accounting proofs, accounting books, financial accounting reports and other accounting information, and that it engages without any refusal, withholding, and misrepresentation.

**Article 162** The audit fee (remuneration) of the accounting firm or the method of determining audit fee (remuneration) shall be determined by the shareholders.

**Article 163** In the event of termination of the appointment or non-renewal of appointment of an accounting firm, the Company shall notify the accounting firm 30 days in advance; when the shareholders cast their votes at the shareholders' meeting on termination of appointment of an accounting firm, the accounting firm shall be allowed to make its representation thereat.

An accounting firm proposing to resign shall state its opinions in the shareholders' meeting whether the Company has committed any improper act.

## **CHAPTER IX NOTICE AND ANNOUNCEMENT**

### **Section 1 Notices**

**Article 164** Notices of the Company shall be sent by the following means:

- (i) by hand;
- (ii) by post or email;
- (iii) by announcement;
- (iv) by other means acceptable to the regulatory authorities of the place where the shares of the Company are listed or provided by the Articles of Association.

**Article 165** Where a notice issued by the Company is in the form of an announcement, all relevant persons are deemed to have received the notice once the announcement is made.

**Article 166** Notice of a shareholders' meeting of the Company shall be given by announcement.

**Article 167** Notice of a meeting of the Board of the Company shall be given in writing, by telephone or other oral means.

**Article 168** Notice of a meeting of the Board of Supervisors of the Company shall be given in writing, by telephone or other oral means.

**Article 169** For a notice of the Company delivered by hand, the notice shall be deemed to be received upon signing (or affixing the seal) by the recipient on the note of receipt and the receipt date shall be the date of serving. If the notice is delivered by post, it shall be deemed to be received on the fifth day from the date the notice is delivered to the post office. If the notice is delivered by email, it shall be deemed to be received on the date on which the email enters the email address designated by the recipient. If the notice is delivered by way of announcement, it shall be deemed to be received on the date on which the announcement is first published. If the notice is delivered by telephone, it shall be deemed to be received on the date of the call.

**Article 170** In the case when the notice of the meeting has not been delivered to those who are entitled to receive such notice due to accidental omission or such persons have not received the notice of the meeting, the meeting and the resolutions made by the meeting shall not therefore become ineffective.

## **Section 2 Announcement**

**Article 171** China Securities Journal (《中國證券報》), Shanghai Securities News (《上海證券報》), the website of the Shanghai Stock Exchange ([www.sse.com.cn](http://www.sse.com.cn)) and the HKEXnews website ([www.hkexnews.hk](http://www.hkexnews.hk)) of the Hong Kong Stock Exchange are designated by the Company as the media through which the Company's announcements and other information shall be disclosed.

For the purpose of the Articles of Association, unless otherwise provided, the term "announcement" means the publication of information on the website of the Shanghai Stock Exchange ([www.sse.com.cn](http://www.sse.com.cn)) and in the media that meet the requirements stipulated by the CSRC in respect of the announcements that are made to the shareholders of A Shares or that need to be made in China in accordance with the provisions of relevant regulations or the Articles of Association. In respect of the announcements that are made to the shareholders of H Shares or that need to be made in Hong Kong in accordance with relevant regulations or the Articles of Association, the announcements shall be made on the website of the Company, the HKEXnews website ([www.hkexnews.hk](http://www.hkexnews.hk)) of the Hong Kong Stock Exchange and such other websites as may be prescribed by the Hong Kong Listing Rules from time to time in accordance with the relevant requirements of the Hong Kong Listing Rules.

Under the Company's compliance with the relevant listing rules of the place where the shares of the Company are listed, regarding the provision and/or distribution by the Company of corporate communications to the shareholders of H Shares in accordance with the requirements of such listing rules, the Company may also post such information electronically or at the Company's website or the website of the stock exchange where the shares of the Company are listed so as to transmit or provide the same to such H shareholders, in lieu of such delivery by hand or postage prepaid mail.

## **CHAPTER X MERGER, DIVISION, CAPITAL INCREASE, CAPITAL REDUCTION, DISSOLUTION AND LIQUIDATION**

### **Section 1 Merger, Division, Capital Increase and Capital Reduction**

**Article 172** Merger of the Company may take the form of absorption or establishment of a new company.

In case of merger by absorption, a company absorbs any other company and the absorbed company is dissolved. In case of merger by new establishment, two or more companies merge into a new one and the parties to the merger are dissolved.

**Article 173** When the Company merges with another company in which it holds 90% or more of the shares, the company being merged is not required to submit the merger to a resolution of the shareholders' meeting, but it shall notify the other shareholders, and the other shareholders shall have the right to request the Company to repurchase their equity or shares at a reasonable price.

If the payment for a merger to be made by the Company does not exceed 10% of its net assets, a resolution of the shareholders is not required for the merger.

In cases where a merger is not subject to a resolution of the shareholders according to the provisions of the preceding two paragraphs, it shall be subject to a resolution of the Board.

**Article 174** If the Company is involved in a merger, the parties to the merger shall enter into a merger agreement, and shall prepare a balance sheet and a property list. The Company shall notify its creditors within 10 days as of the date of the resolution for the merger and shall publish an announcement on the Shanghai Securities News (《上海證券報》) or the National Enterprise Credit Information Publicity System (國家企業信用信息公示系統) and the website of the Hong Kong Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) within 30 days as of the date of such resolution. A creditor may within 30 days as of the receipt of the notice or, in case where he/she fails to receive such notice within 45 days of the date of the announcement, to demand the Company to repay its debts or provide guarantees for such debts. Where the securities regulatory rules at the place where the shares of the Company are listed have separate provisions, the relevant provisions shall also be complied with simultaneously.

**Article 175** When the Company is merged, the claims and debts of each party to the merger shall be succeeded by the company surviving the merger or the new company established subsequent to the merger.

**Article 176** Where there is a division of the Company, its assets shall be divided accordingly.

Where there is a division of the Company, a balance sheet and property list shall be prepared. The Company shall notify its creditors within 10 days as of the date of the resolution for the division and shall publish an announcement on the Shanghai Securities News (《上海證券報》) or the National Enterprise Credit Information Publicity System (國家企業信用信息公示系統) and the website of the Hong Kong Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) within 30 days as of the date of such resolution. Where the securities regulatory rules at the place where the shares of the Company are listed have separate provisions, the relevant provisions shall also be complied with simultaneously.

**Article 177** Unless a written agreement has been entered into, before the division, by the Company and its creditors in relation to the repayment of debts, debts of the Company prior to the division shall be jointly assumed by the surviving companies after the division.

**Article 178** Where the Company needs to reduce its registered capital, it shall prepare a balance sheet and property list.

The Company shall notify its creditors within 10 days as of the date of the resolution for the reduction of its registered capital and shall publish an announcement on the Shanghai Securities News (《上海證券報》) or the National Enterprise Credit Information Publicity System (國家企業信用信息公示系統) and the website of the Hong Kong Stock Exchange (www.hkexnews.hk) within 30 days as of the date of such resolution. A creditor may within 30 days as of the receipt of the notice or, in case where he/she fails to receive such notice within 45 days of the date of the announcement, to demand the Company to repay its debts or provide guarantees for such debts. Where the securities regulatory rules at the place where the shares of the Company are listed have separate provisions, the relevant provisions shall also be complied with simultaneously.

The registered capital of the Company after the reduction shall not be less than the authorized capital. If the Company reduces its registered capital, it shall reduce the amount of capital contribution or shares in accordance with the proportion of capital contributed or shares held by shareholders, unless otherwise provided by law or otherwise provided in the Articles of Association.

**Article 179** If the Company remains in a loss position after making up for its losses in accordance with the Article 153 of the Articles of Association, it may reduce its registered capital to make up for the losses. If the registered capital is reduced to make up for the loss, the Company shall not make any distribution to the shareholders; nor shall the shareholders be exempted from the obligation to make capital injection or payment for the shares.

Where the registered capital is reduced in accordance with the provisions of the preceding paragraph, the provisions of paragraph 2 of the preceding Article shall not apply, but a notice shall be published on the Shanghai Securities News (《上海證券報》) or the National Enterprise Credit Information Publicity System (國家企業信用信息公示系統) and the website of the Hong Kong Stock Exchange (www.hkexnews.hk) within 30 days from the date of the resolution on reduction of registered capital made at the shareholders' meeting.

After reducing its registered capital in accordance with the provisions of the preceding two paragraphs, the Company shall not distribute profits until the accumulated amount of the statutory reserve and discretionary reserve reaches 50% of the Company's registered capital.

**Article 180** In case of a reduction of registered capital in violation of the requirements of the Articles of Association, the shareholders shall return the funds received, and the reduced capital contribution of the shareholders shall be restored to its original amount; in case of losses caused to the Company, the shareholders and the responsible Directors, Supervisors and senior management shall be held liable for compensation.

**Article 181** In the event of a merger or division of the Company, if there is a change in the registration items, the Company shall go through the change registration with the company registration authority in accordance with the law; If the Company is dissolved, it shall go through the deregistration procedures of the Company in accordance with the law; If a new company is established, the company establishment registration shall be completed in accordance with the law.



If the Company increases or reduces its registered capital, it shall go through the change registration with the company registration authority in accordance with the law.

## **Section 2   Dissolution and Liquidation**

**Article 182**   The Company shall be dissolved upon the occurrence of the following events:

- (i)   expiry of the term of business provided in the Articles of Association or other cause of dissolution as specified therein;
- (ii)   a resolution on dissolution is passed by a shareholders' meeting;
- (iii)   dissolution is required due to the merger or division of the Company;
- (iv)   the business license of the Company is revoked or the Company is ordered to close down or dissolved in accordance with the laws;
- (v)   the Company suffers significant hardships in operation and management, and its continued existence would cause significant losses to shareholders' interests, and such issues cannot be resolved through other means, shareholders representing 10% or above of the total voting rights of the Company may plead the people's court to dissolve the Company.

In the event that the Company has the dissolution causes as prescribed in the preceding paragraph, it is obligated to disclose the causes of dissolution through the National Enterprise Credit Information Publicity System (國家企業信用信息公示系統) within 10 days.

**Article 183**   If the Company is in the situation as described in Item (i) of Article 182 of the Articles of Association and has not yet distributed its properties to shareholders, it can continue to exist by amending the Articles of Association or through a resolution of the shareholders' meeting.

The amendment of the Articles of Association or the resolution of the shareholders as per the preceding paragraph must be passed by more than two-thirds of the voting rights held by the shareholders attending the shareholders' meeting.

**Article 184**   Where the Company is dissolved pursuant to Items (i), (iv) and (v) of Article 182 of the Articles of Association, it shall be liquidated. The Directors are the liquidation obligators of the Company and shall establish a liquidation committee within 15 days as of the dissolution circumstance arises, and the liquidation shall be thereby started. The liquidation committee shall be composed of Directors, unless otherwise stipulated in the Articles of Association or otherwise elected by the resolution of the shareholders. If a liquidation obligator fails to fulfill its liquidation obligations in a timely manner and causes losses to the Company or its creditors, it shall be liable for compensation.

If the Company shall be liquidated in accordance with the provisions of the first paragraph of this Article and a liquidation committee is not established within the prescribed period or it fails to proceed with liquidation after forming a liquidation committee, any stakeholders may apply to the people's court to designate relevant individuals to form a liquidation committee for the liquidation. The people's court shall accept the application and promptly organize a liquidation committee to conduct the liquidation.

If the Company is dissolved pursuant to the provisions of Paragraph 1(iv) of Article 182 of the Articles of Association, the department or company registration authority that made the decision to revoke the business license, order closure or revocation may apply to the people's court to appoint relevant persons to form a liquidation committee to carry out the liquidation.

**Article 185** The liquidation committee shall exercise the following functions and powers during the period of liquidation:

- (i) to categorize the Company's assets and prepare a balance sheet and an inventory of assets respectively;
- (ii) to notify the creditors or to publish public announcements;
- (iii) to dispose of and liquidate any unfinished businesses of the Company;
- (iv) to pay all outstanding taxes and any tax that arises during the liquidation process;
- (v) to settle claims and debts;
- (vi) to deal with the residual assets remaining after repayment by the Company of its debts;
- (vii) to represent the Company in any civil proceedings.

**Article 186** The liquidation committee shall notify the creditors within 10 days since its establishment and make public announcement on the Shanghai Securities News (《上海證券報》) or the National Enterprise Credit Information Publicity System (國家企業信用信息公示系統) and the website of the Hong Kong Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) within 60 days. Creditors shall, within 30 days as of the receipt of the notice or, in case where he/she fails to receive such notice, within 45 days as of the date of the announcement, declare their claims to the liquidation committee. Where the securities regulatory rules at the place where the shares of the Company are listed have separate provisions, the relevant provisions shall also be complied with simultaneously.

Creditors shall provide explanations and evidence for their claims upon their declarations of such claims. The liquidation committee shall record the creditors' claims.

The liquidation committee shall not pay off any debts to any creditors during period of claim declaration.

**Article 187** After clearing the assets of the Company and preparing a balance sheet and property list, the liquidation committee shall formulate a liquidation plan for the confirmation of the shareholders or the people's court.

The remaining assets of the Company, after the payment for liquidation expenses, wages, social insurance premiums and statutory compensation of staffs and paying the taxes owed, settling the Company's debts, shall be distributed by the Company to shareholders in proportion to their shareholdings.

During the liquidation period, the Company shall continue to exist but shall not carry out any business activities unrelated to liquidation. The properties of the Company shall not be distributed to the shareholders until the settlement of debts in accordance with the preceding provisions.

**Article 188** If the liquidation committee, after clearing the assets of the Company and preparing a balance sheet and property list, finds that the assets of the Company are insufficient to pay off its debts, it shall immediately file an application to the people's court for bankruptcy.

After the people's court accepts the bankruptcy application, the liquidation committee shall hand over the liquidation matters to the bankruptcy administrator designated by the people's court.

**Article 189** Upon completion of liquidation of the Company, the liquidation committee shall prepare a liquidation report and submit the report at the shareholders' meeting or the people's court for confirmation, and submit the report to the company registration authority to apply for de-registration of the Company and announce the termination of the Company.

**Article 190** Members of the liquidation committee shall perform their obligations of liquidation and bear duties of loyalty and diligence.

Members of the liquidation committee shall bear the liability for damages suffered by the Company due to their negligence to perform the obligations of liquidation; members of the liquidation committee shall bear the liability for damages suffered by creditors due to their intentional or grossly negligent conducts.

**Article 191** Where the Company is declared bankruptcy in accordance with law, it shall implement bankruptcy liquidation in accordance with the relevant laws relating to bankruptcy of enterprise.

## **CHAPTER XI AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

**Article 192** The Company shall amend the Articles of Association in any of the following circumstances:

- (i) after amendments are made to the Company Law or other relevant laws, administrative regulations and securities regulatory rules at the place where the shares of the Company are listed, the matters stipulated in the Articles of Association are in conflict with the provisions of the revised laws, administrative regulations and securities regulatory rules at the place where the shares of the Company are listed;
- (ii) if certain changes of the Company occur resulting in the inconsistency with certain terms specified in the Articles of Association;
- (iii) the shareholders have resolved to amend the Articles of Association.

**Article 193** Where the amendments to the Articles of Association passed by resolutions of the shareholders require approval of the competent authorities, the amendments shall be submitted to the relevant authorities for approval. Where the amendments involve registration matters of the Company, the involved changes shall be registered in accordance with the laws.

**Article 194** The Board shall amend the Articles of Association in accordance with the resolution of the shareholders on amendment to the Articles of Association and the examination and review comments from relevant authorities.

**Article 195** The amendment of the Articles of Association is considered information that is required to be disclosed according to the law and regulations, and shall be publicly announced in accordance with the stipulations.

## **CHAPTER XII SUPPLEMENTARY PROVISIONS**

### **Article 196** Definitions

- (i) A controlling shareholder means a shareholder who holds 50% or more of the total share capital of the Company, a shareholder who holds less than 50% of the total shares but holds voting rights sufficient to have a significant influence on resolutions of the shareholders, or a controlling shareholder as defined in the securities regulatory rules of the place where the shares of the Company are listed.
- (ii) A de facto controller means a person being able to effectively direct the activities of the Company by virtue of investment relationship, agreement or other arrangements.
- (iii) Related (connected) relationship refers to the relationship between the Company's controlling shareholders, de facto controllers, Directors, Supervisors and senior management on the one hand and the enterprises they directly or indirectly control on the other hand, as well as other relationships that may lead to the diversion of the Company's interests, including related (connected) relationships recognized in accordance with the Accounting Standards for Business Enterprises or securities regulatory rules of the place where the shares of the Company are listed. However, enterprises controlled by the PRC government do not have a related (connected) relationship merely due to the fact that they are under the common control of the PRC government. The meaning of "related party (connected) transactions" in the Articles of Association includes "connected transactions" as defined in the Hong Kong Listing Rules; "related (connected) parties" include "connected persons" as defined in the Hong Kong Listing Rules.
- (iv) The meaning of "accounting firm" in the Articles of Association is the same as the meaning ascribed thereto under the Hong Kong Listing Rules, and the meaning of "independent director" is the same as the meaning ascribed thereto under the Hong Kong Listing Rules.

**Article 197** The Board may, in accordance with the Articles of Association, formulate detailed rules of the Articles which shall not be in conflict with the provisions hereof.

**Article 198** The Articles of Association are written in Chinese. Where the versions written in other languages are in conflict with the Chinese version, the latest verified Chinese version registered in the State Administration for Industry and Commerce shall prevail.

**Article 199** The terms "or more", "below" and "within" referred to herein shall include the given figure; and the terms "beyond", "less than", "more than", "exceed" and "over" shall not include the given figure.

**Article 200** The power of interpretation of the Articles of Association shall be vested in the Board of the Company.

**Article 201** The appendices to the Articles of Association include the rules of procedure of the shareholders, the rules of procedure for the Board and the rules of procedure for the Board of Supervisors.

**Article 202** In the event of any conflict between the Articles of Association and the laws, administrative regulations, normative documents and the provisions of the securities regulatory rules of the place where the shares of the Company are listed as promulgated from time to time, the laws, administrative regulations, normative documents and the provisions of the securities regulatory rules of the place where the shares of the Company are listed shall prevail.

**Article 203** Upon consideration and approval at the shareholders' meeting, the Articles of Association shall come into force and be implemented from the date when the H Shares issued by the Company are listed on the Hong Kong Stock Exchange. Upon the implementation of the Articles of Association, the original Articles of Association shall automatically become invalid.

Jiangsu Hengrui Pharmaceuticals Co., Ltd.