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Plain English Hong Kong Articles of Association

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Model Plain English Articles of Association for Hong Kong
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Introduction

Hong Kong’s corporations have a market capitalisation of about $2.7 trillion. Over 1 million companies (both public and private) have incorporated in the city-state. Yet, one of the key documents used to incorporate a company, remains extremely antiquated. The Model Articles of Association (given to potential company founders) remains a cornerstone for the incorporation for companies past and present. A Google search of a sentence fragment from these Model Articles shows that many of Hong Kong’s largest and best known corporations use these Model Articles. Yet, these Model Articles remain unintelligible to even trained legal advisors. Laypersons who actually start the companies that operate in or from Hong Kong have little hope of understand these model Articles.

Why Plain English Articles of Incorporation?

Throughout most of the 20th century, Anglo-Saxon legal scholars and practitioners increased use a form of language intelligible to untrained lawyers. Such writing exhibits two traits particularly common in Form B of the Hong Kong Companies Ordinance. First, the Model Articles use long run-on sentences which combine “and”, semicolons and subordinate phrases. Second, the Model Articles use of words like hitherto, herein, and so forth – making these long chains of sentences extremely difficult to interpret. Most legal drafting the US and UK have ditched such stilted drafting.

Plain English Model Articles would help potential company founders – and current company secretaries – in three ways. First, plain English Model Articles would make the requirements imposed on directors and shareholders more transparent. Directors in Hong Kong need to refer to explanations of their duties because they can not read the Articles of their corporations directly. Second, plain English Model Articles would help foreign investors understand the obligations they signed themselves up for. A large proportion of Hong Kong’s listed shares represent foreign (and particularly Mainland) companies. Most of the directors, investors and officers in these corporations speak English as a second language. If native speakers from Boston and London have difficulty surfing the “witherto”s and “notwithstanding”s of Hong Kong’s Model Articles, the Beijinger and Berliner scarcely stand a chance. Third, plain English Articles would help decrease the cost of setting up and running a corporation in Hong Kong. Most company founders dare not try to set up a company themselves. One look at the Model Articles convinces them they should hire an incorporation service just to sign a few forms and deliver the papers to Queensway Government Offices.

1 The views and analysis contained in this brief represent those of author only. Nothing in this brief represents the views of the University, the Faculty of Law or necessarily any of its members. This brief aims to encourage discussion, rather than provide specific advice. Individuals interested in incorporating a company in Hong Kong should seek competent advice from licensed and qualified counsel.
Why Have We Created the Model Articles Attached to this Brief?

In the following pages, we provide a sample plain English version of the Model Articles of Association provided by the Hong Kong Companies Registry. Such a sample will not change the world – nor even change much of corporate life in the archipelago. However, we hope they will help potential and current founders to push for a more comprehensible version of the Model Articles of Association. We also hope they will encourage research and comparative analysis of Hong Kong corporate law (we are academics after all!). We found understanding the Model Articles extremely difficult. Finally, we wanted to illustrate a point. We may have missed some of the specifics of a particular provision which someone working with these Articles for years would pick up. Yet, if we did not correctly understand a particular provision from these Articles, the chances that the average founder would understand them is far more remote. The Model Articles seek to encourage ordinary educated persons to create companies and corporations. Why not actually create Model Article which these entrepreneurs – rather than their entrepreneurial lawyers – can interpret and use?

How to Use these Articles and Potential Risks

If you are reading this brief, you want to work around the complex Model Articles you found on the Company Registry website. You will probably have one or more purposes in reading this brief. First, you want to understand – in simpler English – what each provision says. Second, you want to use a version which you think your director colleagues, investors and other officers can understand. Third, you want a template which you can modify to include provisions unique to your own corporation. Fourth, you want a text which confers the same rights and obligations as the original – without the complexity. Articles of Association represent a contract – a contract between the company, the directors, and shareholders (as well as with the State, which we won’t go into).

The Model we provide in this brief reflects our own drafting style, which we use for contracts, regulations, legislation and even multi-jurisdictional derivative contracts! We label each provision with a “sign post.” We also use markers, like underlying and bolding which highlights important issues during interpretation. We chop long sentences and phrases into bite-sizes (but still judicially interpretable) pieces. We also try to use other drafting which have become popular in our generation (which are a bit too nerdy to describe to the non-lawyer).

We will absolutely have made mistakes and mis-interpreted the original. Some of those mistakes come from the fact that we (like the original drafters) had to produce a useable draft to make real corporations under a deadline. Some other mistakes will come from case law (and even informal understanding of chains of words) which Hong has developed or inherited from its colonial days. If this were a law review piece, we would provide a comparison of Form B and our version – giving extensive explanations of why we chose the wording we chose. More time would have allowed us to make sure we did
not miss particular interpretations and doctrines arising from phased used in this Model. To ensure some level of safety in using these Model Articles, we have explicitly made given precedence to the language in Form B. In other words, if this Model creates confusion, parties can rely on the original version in Form B (and all the interpretation that goes along with that version).

Readers should think of this Model as a Wiki-Model Articles. We hope our peers will modify this first version. Yet, we also hope that corporate counsel (and even aspiring twenty-somethings teenagers) will use a version of this Model as the create (or modify) their own corporations. If worse comes to worse, at least we will have a Word version of a model set of Articles which we can download from the internet.
MODEL PLAIN LANGUAGE ARTICLES OF ASSOCIATION

Section 1: Introductory Provisions

1.1 Definitions. These Article shall use the following terms:

   a) "Ordinance" refers to the Hong Kong Companies Ordinance (Chapter 32)
   b) "Seal" refers to the company’s common seal, and
   c) "Secretary" refers to the person appointed to perform the duties of the company secretary, and
   d) “Company” shall refer to ________________.

1.2. Written actions. Unless defined more specifically in any particular provision in these Articles, references to documents or actions executed in writing shall refer to any method of representing words in visible form. Such representation may include, but are not limited to digital or paper-based representation, representations appearing in print, email, photography, short messaging and so forth.

1.3. Use of electronic written communication. Except when a member (shareholder) appoints a proxy, the company, its directors or members may use electronic communications if the person sending and receiving the communication agree to use and accept such communication (such as Skype, text messages and so forth).

1.4. Electronic conduct of meetings. When these Articles require a meeting of the Company, its Directors, Members or Committee members, they may hold such meetings use any form of lawful electronic means and in any lawful manner agreed during the company’s annual general meeting.

1.5. Statutory-based interpretation of terms. Unless the context otherwise requires, words or expressions used in these Articles have the same meaning as in the version of the Ordinance in force at the time these Articles are adopted. The regulations in Table A of the Ordinance’s First Schedule shall not apply to the Company.

1.6. Association as a private company. The Company is a private company and accordingly may not:

   a) transfer shares in way forbidden by these Articles,
   b) have more than 50 Company Members (except when persons currently or previously employed by the Company hold shares in the Company), and
   c) invitation the public to subscribe for Company shares or debentures.
1.7. Joint ownership of shares. Shareholders shall (for the purposes for article 1.6(b) above) be counted as one single Member when two (2) or more persons hold one or more shares in the Company jointly. For example, a partnership of 60 persons which holds the Company’s shares as a partnership represents one Member and not 60.

1.8. Short titles. Short titles appear before each provision in these Articles may not be used when interpreting the content of the provision.

SHARE CAPITAL AND THE VARIATION OF RIGHTS

Section 2: Issue of shares

2.1. Right to issue any kind of share. Except when existing holders of existing shares have special rights and by ordinary resolution of the directors, the company may issue any kind of shares such as preferred, deferred, or with special rights or restrictions with regard to dividend, voting, return of capital or otherwise.

2.2. Share redemption. Subject to sections 49 to 49S of the Ordinance, the company may issue shares that are redeemable (or have the option to be redeemable) according to the terms of these present Articles.

2.3. Share classes. Regardless of whether the company is being wound up or not, modification of the rights attached to different classes of shares (when share capital is divided into different classes of shares) may be varied when:

   a) holders of three-fourths in nominal value of the issued shares of that class provide consent in writing for such modification (variation), or

   b) a general meeting of the holders of that class of shares passes a special resolution about such modification (variation), and

   c) such modification or variation does not impinge on the rights of other classes of shareholders.

2.4. Affect on other share classes. Except when allowed by the terms governing the issue of a particular class of stock, the rights conferred upon the holders of the shares of any class of preferred stock or other stock with special rights shall not change when similar shares are created.

2.5. Commissions. As allowed under section 46 of the Ordinance, the company may pay commissions provided that:

   a) the agreed and paid commission (in rate percent or amount terms) is disclosed in the manner required by the Ordinance, and
b) commission rates promised and paid shall not exceed 10% of the price of these shares, and

c) commissions are paid in full or in part by cash or by the allotment of fully or partly paid shares.

2.5. Payment of brokerage fees. The company may pay brokerage fees as allowed by law on the issue and transfer of its shares.

2.6. Share holding in trust. Except as required by law, the Company does not recognize the rights of any person to hold shares in trust. Except as allowed by these Articles and applicable law, the company shall not recognize any equitable, contingent, future or partial interest in any share (or fractional part of a share) or any other rights given by any share exercised by anyone except the registered holder.

2.7. Receipt of shares. Persons recorded as a member in the register of members shall receive without payment within 2 months (or as specified by the conditions of the issue) after the share allotment or transfer:

   a) one certificate for all his shares without fee or payment for the certificate, or
   b) several certificates, each for 1 or more of his shares, upon payment of $50 (or maximum allowed law under $50) for every certificate after the first or such as the directors shall determine.

2.8. Form of certificates. Every certificate shall be stamped with the seal, specify the shares the certificate relates to and the amount paid for those shares. For a share or shares held jointly by several persons, the company shall issue only one certificate. Delivery of the certificate to only one of the joint holders shall qualify as delivery to all holders.

2.9. If a share certificate be defaced, lost or destroyed, it may be renewed on payment of a fee of $50 (or maximum allowed law under $50) plus any additional reasonable expenses directors decide for replacing these certificates.

Section 3: Liens on shares

3.1. Unpaid shares. The company shall have a first and priority lien on every not-fully-paid share for all moneys (whether presently payable or not) and dividends payable on those shares if the member fails to pay for these shares within 14 days of a written request for payment by the company.

3.2. Gift of shares. The company shall have a first and paramount lien on all not-fully-paid shares registered in the name of a single person for all moneys presently payable to the company by him or her as well and/or his or her estate. Such a lien shall also extend to dividends payable for unpaid for shares. The directors may decide not exercise this lien in whole or in part at any time.
3.3. Resale of unpaid shares. The company may sell, in such manner the directors think fit, any shares on which the Company has a lien.

3.4. Use of intermediaries (transferring agents). The directors may authorize a person to transfer the shares sold to the purchaser of those shares. The purchaser shall hold title to these shares regardless of how the purchase money was spent or whether any irregularity or invalidity occurred during the sale.

3.5. Payment of shares allocated through intermediaries. The purchaser shall pay the price of the shares to the company and any commissions to intermediaries to the intermediary directly. Shares under lien acquired, through a transferring agent or not, must be paid up in full.

**Section 4: Calls on Shares**

4.1. Requests for payment. The directors may, at their discretion, may require members to pay for unpaid shares (whether at nominal value or at a equitably-determined premium).

4.2. Conditions of call (request for payment). Each member must (subject to receiving at least 14 days' notice specifying the time or times and place of payment) make payment to the company at the time and place specified in the call. A call may be revoked or postponed as the Directors may determine.

4.3. Execution of a call. A resolution of the directors shall authorize a call (request for payment). Such a call may allow for instalment payments of the amount specified in the call.

4.4. Obligations of joint holders. Joint holders of a share (or shares) are jointly and severally liable to pay all calls.

4.5. Interest. Persons owing money for unpaid shares must pay interest starting on the day after such payment is due. The directors shall set the rate (which shall not exceed 10% per year). The directors may waive interest obligations entirely or in-part as they see fit.

4.6. Calls and forfeiture. A call shall be considered duly made from the moment any money owed for unpaid or partially paid shares (whether due at the time the shares were allotted or on a fixed date later as well as payable on the nominal amount or at a premium) are payable. In case of non-payment, all the relevant provisions of these Articles (as to payment of interest and expenses, forfeiture or otherwise) shall apply as if the company issued a call (and the money became payable).

4.7. Discrimination among shareholders. The directors may, when the shares are issued, differentiate between shareholders as to the amount of calls paid and payment times.
4.8. Payment in advance. The directors may receive uncalled and unpaid monies from any member for his or her shares. **The company shall pay no interest for money given before a call.**

Section 5: Transfer of Shares

5.1. Method of transfer. The transferor of company shares may transfer his or her shares through any acceptable instrument of transfer. The transferor shall remain in legal possession of these shares until the transferee’s name is entered in the register of members. Transferees shall hold the obligation to organize payment to the transferor in such a way to ensure the transfer of property rights in the shares corresponds with the transfer of payment to the transferor.

5.2. Instrument of transfer. With due regard for the restrictions imposed by these Articles, any member may transfer any or all of his or her shares in writing in any usual or common form and/or in any form approved by the directors.

5.3. Refusal to register shareholder. The directors may refuse (without giving reasons) register any transfer of any share (fully-paid or not).

5.4. Minimum requirements of share transfer. The directors require the following in order to recognize any instrument of transfer:

   a) a fee of $50 (or a lesser amount as determined by the Directors and as required by law) to cover the costs of arranging the transfer, and

   (b) the certificate of the shares to which the transfer relates (or other evidence which shows the transferor’s right to make the transfer).

5.5. Refusal of transfer. If the directors refuse to register a transfer, they shall, **within 2 months** after the date on which the transfer was requested send to the transferor and transferee notice of such refusal.

5.6. Suspension of transfers. The directors may suspend the registration of transfers provided that such suspensions shall not last for more than **30 days** in any year. If the period for closing the register of members is extended for a particular year (under section 99.2(a) of the Ordinance), directors may not suspend the registration of transfers for more than 30 days during that extended time period.

5.7. Fees for non-ordinary transfers. The company shall charge a fee (as set by the Directors and not exceeding $50 or the amount established by law) on the registration of every probate, letter of administration, certificate of death or marriage, power of attorney, or other instrument related to a member in the register of members.
Section 6: Transmission of Shares

6.1. Transfer at death. If a member dies, the Company shall recognize only the survivor or survivors (where the deceased was a joint holder) and the legal personal representatives of the deceased (where he was a sole holder) as having any title to his interest in the shares. The estate of a deceased joint holder shall continue to hold liability arising from any share which he or she held jointly with other persons.

6.2. Bequests. Any person becoming entitled to a share, as the result of a member’s death or bankruptcy, may (when showing evidence of such an entitlement), register as holder of the share(s). The person may also nominate someone else to receive the share (shares). The directors shall continue (as defined in these Articles) to have the right to refuse any registration.

6.3. Acceptance of bequest. A person entitled to receive shares and wanting to register as owner of these shares must deliver or send to the company a signed notice in writing requesting registration. If he or she wants another person registered, he sign an instrument of transfer to/for that person for the share. All these Articles’ limitations, restrictions and provisions relating to the right to transfer and the registration of transfers of shares shall be applicable to any such notice or transfer as if the death or bankruptcy of the member had not occurred and the notice or transfer were a transfer signed by that member.

6.4. Right to dividends. A person entitled to shares because of the death or bankruptcy of the holder (member) shall be entitled to the same dividends and other advantages as if he or she were the registered holder of the share(s). However, before being registered as a member, he or she shall not be entitled to attend or participate in meetings of the company.

6.5. Right to withhold dividends during share transfer. The directors may, at any time, require a person entitled to shares because of the death or bankruptcy of the holder (member) to elect either to be registered himself or to transfer the share. If the person does not make an election within 90 days, the directors may thereafter withhold all dividends, bonuses or other payments due in respect of the share until the person makes an election.

6.6. Duty to explain refusal. If the directors refuse to register the transfer of any person who receives the right to any shares in the company because of the operation of law (such transfer in death, bankruptcy and so forth), the directors must give that person an explanation for the refusal within 28 days.

Section 7: Forfeiture of Shares

7.1. Request for payment. If a member fails to pay any call or instalment of a call on the call’s due date, the directors may -- at any time thereafter during such time as any part of
the call or instalment remains unpaid – send him or her notice requiring payment of the unpaid amount plus accrued interest.

7.2. Form of notice. The notice shall name a day (at least 14 days or more from the date the notice was given to the person) on or before which the person must pay monies due for unpaid shares. The notice must state that if the person does not pay for the unpaid shares mentioned in the notice by the deadline set in the notice, the person’s shares may be forfeited.

7.3. Resolution of forfeiture. If the person does not pay for unpaid shares mentioned in the notice (and call), the directors may pass a resolution resulting in the forfeiture of the shares mentioned in the notice.

7.4. Disposal of forfeited shares. A forfeited share may be sold or otherwise disposed of as the directors think fit. The directors may, before a sale or disposition, cancel the forfeiture may be cancelled on such terms as the directors think fit.

7.5. Liability of shareholder. A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares. However, he or she shall remain liable to pay to the company all moneys which, at the date of forfeiture, he or she owed to the company in respect of the shares. His or her liability shall cease if and when the company receives payment in full for these shares.

7.6. Improper sale of forfeited shares. A statutory declaration noting the forfeiture of shares shall prevent the transfer of shares to persons claiming entitlement to forfeited shares. The statutory declaration in writing shall state that the declarant is a director or the secretary of the company, and that a share in the company has been duly forfeited on a date stated in the declaration The company may receive the consideration, if any, given for the share on any sale or disposition of the share. The company may execute a transfer of the share in favour of the person to whom the share is sold or disposed of. The person receiving the share shall:

a) thereafter be registered as the holder of the share,

b) not be bound to see to the application of the purchase money, if any, and

c) not see title to the share be affected by any irregularity or invalidity in the proceedings in reference to the forfeiture, sale or disposal of the share.

7.7. Forfeiture by pre-determined call. The provisions in these Articles about forfeiture shall apply when persons must pay for shares under the terms defined during the issue of those shares and whether such payments relate to the nominal value of the share(s) or relate to premiums required to be paid. The terms of the issue setting a deadline for payment shall serve a call duly made and notified.
Section 8: Alteration of Capital

8.1. Increasing company capital. By ordinary resolution, the company may at any time increase its share capital. The resolution shall define the amount to be raised and the number of shares issued which yields that amount.

8.2. Splits, reserve splits and cancellations. By ordinary resolution, the company may:

   a) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares,

   (b) sub-divide its existing shares, or any of them, into shares of smaller amount than the amount stated in our Memorandum of Association (subject to the provisions stated in section 53.1(d) of the Ordinance, and

   (c) cancel any shares which, as of the date of the resolution authorizing such a cancellation, no person has taken or agreed to take.

8.3. Reduction of share capital. By special resolution, the company may reduce its share capital, any capital redemption reserve fund, or any share premium account in any manner consistent with law.

Section 9: Purchase of Own Shares

9.1. Authorisation to purchase own share. Subject to sections 49 to 49S of the Ordinance, the company may purchase its own shares (including any redeemable shares).

9.2. Method of purchase. Subject to sections 49I to 49O of the Ordinance, the company may pay for the redemption or purchase of its own shares using funds other than those arising from distributable profits or the proceeds of a new share issue.

9.3. Subject to sections 49, 49A, 49B(6), 49F, 49G, 49H, 49I(4) and (5), 49P, 49Q, 49R and 49S of the Ordinance, the company may also pay for the redemption or purchase of its own shares using funds other than those arising from distributable profits or the proceeds of a new share issue. The company may also make such redemption or purchase in order to:

   a) settle or compromise a debt or claim,

   b) eliminate a fractional share, fractional entitlement or an odd lot of shares (as defined in section 49B(5) of the Ordinance);

   c) fulfil an agreement in which the company has an option or obligation, to purchase shares under an employee share scheme previously-approved by the company during a general meeting, or to
d) comply with a court order under:

   (i) section 8(4) in an application to cancel a resolution passed to amend the objects of the company,

   (ii) section 47G(5) in an application to cancel a company resolution to give financial assistance for the purchase of its own shares, or

   (iii) section 168A(2) in which a judge finds against the company for actions prejudicial to a group of members (an unfair prejudice petition).

Section 10: Allotment of Shares

10.1. Power to allocate shares. In cases where section 57B of the Ordinance requires approval of the company in general meeting, the directors shall not allot shares in the company.

GENERAL MEETINGS

Section 11: Annual and extraordinary general meetings

11.1. Annual meetings. Subject to section 111(6) of the Ordinance, the company shall in each year:

   a) hold a general meeting as its annual general meeting in addition to any other meetings in that year,

   b) issue a notice calling the meeting, and

   c) ensure that not more than 15 months elapse between the conduct of one annual general meeting the next one.

11.2. Annual meeting following incorporation. The company shall hold its first annual general meeting within **18 months** of its incorporation.

11.3. All general meetings other than annual general meetings shall be called extraordinary general meetings.

11.4. Meetings of classes of shareholders. The articles relating to general meetings apply, with any necessary modification, to the meetings of the holders of any particular class of shares.

11.5. Convention of extraordinary meetings. The directors may, at their discretion, convene an extraordinary general meeting. Extraordinary general meetings shall also be convened by members under the terms outlined in section 113 of the Ordinance.
11.6. Quorate extra-ordinary meetings. Any director or any 2 members of the company may convene an extraordinary general meeting when not enough board members are present to form a quorum. They shall convene the meeting in as similar a manner as ordinary (normal) meetings convened by the directors.

11.7. Members’ resolutions. A resolution -- in writing, signed by all the members entitled to receive notice of, attend, and vote at general meeting (or in the case of corporate members as legal persons represented by a director or duly authorized representative) and made in accordance with section 116B of the Ordinance -- shall be as valid and effectual as a resolution passed at a duly-convened general meeting. The date of the resolution shall correspond with the date on which the last member signed the resolution. Such a resolution may consist of several documents, each of which accurately state the terms of the resolution and contain the signatures of one or more of the relevant members.

11.8. One member company resolutions. A member may adopt a resolution by providing the company with a written record of a decision, if and only if the company has:

a) only one member,

b) that member takes a decision that may be taken by the company in a general meeting,

c) that decision has an effect as if agreed by the company in general meeting,

d) that decision is not taken by way of a written resolution made in accordance with section 116B of the Ordinance,

11.9. Sufficiency of written record of decision. A written record of a decision provided by a one member company as per article 11.8 shall be sufficient evidence the decision taken by that member.

Section 12: Notice of General Meetings

12.1. Pre-notice for meetings. An annual general meeting and a meeting called for the purposes of passing of a special resolution requires at least 21 days’ notice in writing in advance. Any other meeting of the company requires at least 14 days' notice in writing.

12.2. Definition of notice. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given.

12.3. Particulars of the notice. The notice shall specify the place, the day and the hour of meeting. In the case of special business, notice shall describe the general nature of that business. Notices must be given to persons entitled to receive such notices under these Articles, as defined during a company’s general meeting, and as defined under other company regulations.
12.4. Shortening the pre-notice requirement. A company meeting shall be duly called on a notice shorter than the time period defined above when:

(a) in the case of an annual general meeting, all the members entitled to attend and vote at the meeting agree to the shorter notice time, and

(b) in the case of any other meeting, a majority of the members who hold 95% of the nominal value of the shares or more and who have the right to attend as well as vote at the meeting agree to the shorter notice time.

12.5. The show must go on. The accidental omission or failure to notify (give notice) of a meeting to any person entitled to receive such a notice -- or the non-receipt of such a notice -- shall **not** invalidate the proceedings at that meeting.

**Section 13: Proceedings at General Meetings**

13.1. Definition of special business. Special business consists of business transacted at an extraordinary general meeting as well as business transacted at an annual general meeting, with the exception of the:

a) declaring a dividend,

b) consideration of the accounts, balance sheets, and the reports of the directors and auditors,

c) election of directors in the place of those retiring, and

d) appointment of (and the fixing of the remuneration of) the auditors.

13.2. Quorate meetings. No business shall be transacted at any general meeting unless and until a quorum of members is present at the commencement of the business.

13.3. Exception to the quorum rule for the appointment of a chairperson. The absence of a quorum shall not preclude the appointment, choice or selection of a chairman.

13.4. Definition of a quorum. Unless other stated in these Articles, the company’s regulations or in law, the presence of two persons (in person or by proxy and entitled to vote) shall constitute a quorum for all general meetings.

13.5. Definition of a quorum for a one-person company. If the company has only one member, that member’s presence in person or by proxy shall comprise the quorum of a general meeting of the company.

13.6. Grace period for member-called meetings. A meeting shall be dissolved if a quorum is not present for a meeting convened by the members within **half an hour (30 minutes)** of the time scheduled for the meeting.
13.7. Adjournment of meeting. In the case when a meeting is called by the directors or any other means that a member-called meeting, the meeting shall stand adjourned until the same day, time and place in the next (following) week. The directors may set another time, place and/or day as they see fit.

13.8. Quorum at the adjourned meeting. All adjourned meetings shall be deemed quorate even if a quorum is not present within half an hour (30 minutes) from the time appointed for the meeting.

13.9. Chairperson. The chairman of the board of directors (if any) shall preside as chairman at every (all) general meeting(s) of the company.

13.10. Chairperson’s term. Unless the directors determine another term in office for the chairman (chairperson), the chairman shall be elected annually.

13.11. In case chairperson is absent. The directors present shall elect one among them as chairman of the meeting in case no chairman has been appointed or if he or she is not present within half an hour (30 minutes) after the scheduled starting time for the meeting. When all directors are absent or all directors decline to act as chairman, the members present shall choose among themselves chairman for the meeting.

13.12. Meeting adjournment. The chairman may, with the consent of any meeting at which a quorum is present (and shall if so directed by the meeting), adjourn the meeting to another time and/or place.

13.13. Business at adjourned meeting. No new business shall be transacted during a meeting continued from a previously adjourned meeting.

13.14. Meetings adjourned for a month or longer. When a meeting is adjourned for 30 days or more, notice for the continuation of the meeting (adjourned meeting) shall be given as notice was given for the original meeting. Except as previously mentioned, the announcement need not give any notice of an adjournment or of the business to be transacted at the continuation of the meeting.

13.15. Vote by show of hands (head-count). Except as noted below, at any general meeting, a resolution put to the vote of the meeting shall be decided by a show of hands.

13.16. Vote by poll. At any general meeting, a resolution put to the vote of the meeting shall be decided by a poll when a poll has been asked for before or on the declaration of the result of the show of hands and demanded by:

a) the chairman,
b) at least 2 members present in person or by proxy,
c) a member or members present -- in person or by proxy -- and representing at least or more than **one-tenth (10%)** of the total voting rights of all the members having the right to vote at the meeting, or
d) a member or members holding shares in the company conferring a right to vote at the meeting and which the total paid-up money in these shares equals at least or more than **one-tenth (10%)** of the total paid-up capital in all voting shares.

13.17. Record of voting results on a show-of-hands basis. When a show-of-hands method is used to vote on a resolution, the minutes need not record the number or proportion of the votes recorded in favour of or against such resolution. The meetings minutes need only record that the chairman’s declaration that a resolution has, on a show of hands, been -- carried, carried unanimously, carried by a particular majority or lost.

13.18. Withdraw of a demand for a poll. The demand for a poll may be withdrawn.

13.19. Except for polls related to the election of a chairman or the question of adjournment (as provided in regulation 13.21, the chairman shall decide how a duly-demanded poll shall be taken. The poll’s result shall comprise a resolution at that meeting.

13.20. Revotes. For tied votes (whether on a show-of-hands basis or on a poll), the chairman of the meeting shall provide a determining (tie-breaking) vote.

13.21. Time for conducting polls. A poll demanded on the election of a chairman or on a question of adjournment shall be taken immediately or as soon as possible. A poll related to any other question shall be taken whenever the chairman of the meeting decides. The meeting (and any other business in that meeting) may continue as normal.

**Section 14: Votes of Members**

14.1. Voting weights. Except when the rights or restrictions attached to any class or classes of shares requires otherwise, every member present in person or by proxy shall have 1 vote **on a show of hands** and every member shall have 1 vote for each share he or she holds **on a poll**.

14.2. Weight of joint share holder votes. In the case of joint share holders, the vote of the most senior voting member (whether voting in person or by proxy) shall be accepted to the exclusion of the other joint holders’ votes. For this purpose, the order in which the names stand in the register of members determines seniority.

14.3. Votes of mentally unsound. A member of unsound mind, or who has been found in by court order (determination) mentally unfit may vote (by show of hands or on a poll) through his or her legal guardian or representative. Such a guardian or representative may vote by proxy on a poll.
14.3. Votes of unpaid shares. Members that owe the company money for shares (shares that the company has called on the member to pay) may not vote at any general meeting until he or she has paid for these shares.

14.4. Objections about the validity of votes. Objections about the qualification of any voter (rights of any member to vote) may only be raised at the meeting (and/or continuation of an adjourned meeting) at which these votes are cast. The chairman shall decide on such objections (provided they are made in due time). The chairman’s decisions shall be final.

14.5. Validity of votes. Every vote not disallowed (because on an objection) at any meeting shall be valid for all purposes.

14.6. Poll voting methods. Votes cast during a poll may be given either personally or by proxy.

14.7. Proxy instruments. A proxy appointment must be made in writing by the appointor or his or her attorney-in-fact.

14.8. Proxies of corporations. For corporate appointers, a proxy may authorised either by the company’s seal, the signature of a corporate officer, or the signature of the corporation’s duly authorised attorney-in-fact.

14.9. Eligibility of corporate proxies. A person acting a corporation’s proxy need not be a member of the Company.

14.10. Deposit of proxies. The instrument appointing a proxy and the power-of-attorney or other authority, shall be deposited at the company’s registered office. The instrument(s) may also be deposited somewhere else in Hong Kong as specified in the notice convening the meeting.

14.11. Form of proxies. The proxy and power-of-attorney or other authority (if any) must be signed. The Company may also accept a notarially certified copy of that power or authority.

14.12. Deadline for depositing proxies. When voting by a show of hands, proxies must be deposited in the chosen location at least 48 hours or earlier before the starting time of the meeting (or previously adjourned meeting), at which the person named in the proxy instrument proposes to vote.

14.13. Proxy deadline for poll votes. For poll votes, proxies must be deposited in the chosen location at least 24 hours or earlier before the meeting’s scheduled starting time.

14.14. Proxies submitted after the deadline. Proxies submitted after the deadlines defined above shall not be treated as valid (the person representing the proxy may not vote at that meeting).
14.15. Form of proxy. The instrument appointing a proxy shall be in the following form or a form as near as possible to the following:

[ ] Limited

I/We of [ ], being a member/members of the above-named company, hereby appoint [ ] of [ ], or failing him [ ] of [ ], as my/our proxy to vote for me/us on my/our behalf at the [annual or extraordinary, as the case may be] general meeting of the company to be held on the [ ] day of [ ], and at any adjournment thereof.

Signed this [ ] day of [ ].”

14.16. Form of proxies expressing explicit position on resolution. Where the member may want to vote for or against a resolution, the instrument appointing a proxy shall be in the following form or a form as close as possible to this form:

[ ] Limited

I/We of [ ], being a member/members of the above-named company, hereby appoint [ ] of [ ], or failing him [ ] of [ ], as my/our proxy to vote for me/us on my/our behalf at the [annual or extraordinary, as the case may be] general meeting of the company to be held on the [ ] day of [ ], and at any adjournment thereof.

Signed this [ ] day of [ ].”

This form is to be used ( ) in favour of ( ) against the resolution (check only one)

Unless otherwise instructed, the proxy will vote as he or she deems fit.

14.17. Proxy’s right to demand and join in polls. The instrument appointing a proxy confers the member’s authority to demand or join in demanding a poll.

14.18. Acceptance of proxies whose members’ rights have extinguished. Except under the terms defined in article 14.19, a vote given in accordance with the terms of a proxy instrument shall be valid in the case of the principal’s:

a) previous death or insanity
b) revocation of the proxy or of the authority under which the proxy was executed, or
c) the transfer of the share in respect of which the proxy is given,

14.19. Refusal to accept proxies when company knows the member is ineligible to vote. The Company shall not accept the proxy described above in article 14.18 if the company receives in writing at its office notice of the death, insanity, revocation or transfer of the proxy before the meeting (or previously adjourned meeting) at which the proxy will be used starts.
Section 15: Corporations Acting by Representatives at Meetings

15.1. Any corporate member of the company may, by resolution of its directors or other governing body, authorize any person to act as its representative at any meeting of the company or any meeting of any class of members of the company. The person authorized to represent the corporation may exercise the same powers on behalf of the corporation that the corporation exercises as an individual member of the company.

DIRECTORS

Section 16: Number of Directors and Remuneration

16.1. Number of Directors. The company shall have at least one and no maximum number of directors. The first directors appear in the incorporation forms submitted in compliance with the Ordinance.

16.2. Compensation. The directors may receive fees for the services as directors under terms set by the company in general meeting. Subsequent general meetings may modify the amount of these fees and the terms under which directors receive them.

16.3. Nature of fees. Any fees paid as per these Articles shall be distinct from any salary, remuneration or other accounts payable to a director pursuant to any other provisions of these Articles.

16.4. Reimbursement of expenses. Directors may also receive payments to cover reasonable expenses as he or she may incur in engaging in company business (such as travelling to, attending and returning from company business meetings).

16.5. Qualification as a director by residence. A director need not reside in Hong Kong nor hold any shares in the company in order to qualify as a director.

16.6. Multiple directorships. A director of the company may serve as a director, other officer, or maintain an interest in other companies.

16.7. No duty to disclose other salaries. Subject to the Ordinance, no such director need disclose to the company any remuneration or other benefits received from other companies. The directors have the power to require such disclosure by resolution.

Section 17: Powers and Duties of Directors

17.1. Power to govern the company. As required by the provisions of the Ordinance, the Memorandum of Association, these Articles of Association and any directions given by special resolutions, the directors shall manage the business and affairs of the company. The directors may exercise all the powers of the company.
17.2. Validity of acts. Previous (prior) acts of the directors shall not become invalid due to subsequent alteration of the Memorandum of Association, these Articles of Association, or because of any subsequent directions and resolutions.

17.3. Plenipotency of directors. Directors powers and authorities may extend beyond those given by these Articles. Director may exercise all powers exercisable by the directors in a quorate meeting of the directors.

17.3. Nomination of alternates. A director who is about to leave Hong Kong, absent from Hong Kong, or is otherwise unable to attend meetings of directors may notify the company of his appointment of any person (including another director) as his or her alternate.

17.4. Form of notice for director’s alternate. The nomination of an alternate (the notice) must identify the proposed alternate, and contain a statement signed by the proposed alternate that he or she agrees to act as the alternate for the director giving the notice.

17.5. Agreement to accept alternate. The appointment of an alternate shall have effect when approved by the directors. When another director should serve as the alternate, no such directors’ approval is necessary.

17.6. Rights of alternate director. An alternate director shall receive notices of directors’ meetings, may attend and vote as a director at any such meeting (when the director appointing him or her is not personally present).

17.7. Votes when a director serves as an alternate for another director. Any vote cast by a director as an alternate for another director shall count in addition to and independently of any vote(s) the director casts on his own account.

17.8. Status of alternates. Except as otherwise stipulated in these Articles, an alternate director shall be deemed for all purposes a director (and not simply an agent of the director appointing him or her). The alternate performs all functions of his appointor as a director at directors and other meetings.

17.9. Termination of alternate. Appointment as an alternate director ends when the director appointing the alternate revokes his appointment or ceases (for any reason) to be a director, or the directors withdraw their approval of the alternate’s appointment (if the alternate director is not another director of the company).

17.10. Execution of the termination of alternate status. Any appointment or revocation under these Articles must be made by notice in writing by the director and lodged at the office or delivered at a meeting of the directors.

17.11. One member companies directors’ nomination of alternates. If the company has only one member who serves as its sole director, the company may (in general meeting)
nominate a natural adult person as a reserve director of the company, to act in the place of the sole director in case the director dies or becomes incapacitated.

17.12. Powers of reserve director for one-man companies. If the company has only one director, that director shall have full power to represent and act for the company in all matters. He may take any decision that may be taken by way of resolution in a meeting of directors. His or her decision shall have the effect of a resolution adopted in a meeting of the directors.

17.13. Taking Minutes in one-person directors meetings. In lieu of taking minutes at a directors meeting, the sole director shall provide to the company a record in writing and sign a note or memorandum of all the decisions taken pursuant to section 153C of the Ordinance.

17.14. Directors’ financial powers. The directors may exercise all the powers of the company to borrow money, mortgage or charge its undertaking, property and uncalled capital, as well as to issue debentures and other securities (whether outright or as collateral security for any debt, liability or obligation of the company or of any third party).

17.15. Power to appointing attorneys. The directors, at any time, by power-of-attorney appoint an attorney or attorneys of the company. Such attorneys may comprise any company, firm or person or body of persons (whether nominated directly or indirectly by the directors).

17.16. Purposes of appointing attorneys. Attorneys may be appointed for any purpose the directors see fit. Directors may vest them with any powers, authorities and discretions (not exceeding those vested in or exercisable by the directors under these Articles) they see fit.

17.17. Limitations on appointed attorneys. Directors may also appoint attorneys and subject them to any conditions they think fit. Any such powers-of-attorney may contain protections and provisions for facilitating transactions with such attorneys.

17.18. Delegation of power of attorney. The directors may also authorize appointed attorneys to delegate any or all of the powers, authorities and discretions vested in him (them).

17.19. Powers outside of Hong Kong. The company may exercise the powers conferred by section 35 of the Ordinance with regard to having an official seal for use outside Hong Kong. Such powers shall be vested in the directors.

17.20. Branch registries. The company may exercise the powers conferred upon the company by sections 103, 104 and 106 of the Ordinance with regard to the keeping of a branch register. The directors may (subject to the provisions of those sections) make and vary such regulations as they may think fit respecting the keeping of any such register.
17.21. Disclosure of conflicts of interest. In accordance with section 162 of the Ordinance, a director who has any kind of personal material interest (either directly or indirectly) in a contract or proposed contract with the company shall declare the nature of his interest at the soonest (next) directors’ meeting.

17.22. Recusal from voting in potential conflict of interest situation. A director shall not vote on any contract or arrangement in which he or she has an actual or potential material interest. If he or she does vote, this vote shall not be counted and he or she shall not be counted in determining if the meeting is quorate.

17.23. Voting on policies of direct interest to the director. A director may vote on a contract or arrangement in which he or she is personally interested, such as:

   a) any arrangement for giving director(s) security or indemnities in exchange for money lend to the company or obligations undertaken by these director(s) for the benefit of the company,

   b) any arrangement for using company assets as security to contract a company-related debt or obligation in which the director himself has assumed responsibility in whole or in part,

   c) any contract allowing a director to subscribe to, or underwrite, shares or debentures of the company; or

   d) any contract or arrangement with another company in his or her interest only extends to his or her service as an officer of the company or as holder of shares or other securities.

17.24. Relaxation of prohibitions on self-dealing. The company in general meeting may suspend or relax prohibitions – particularly those listed in this section (and particularly 17.21 to 17.23). The general meeting decisions may effect such a relaxation of these prohibitions at any time, to any extent, and either for all activities or only for particular contracts, arrangements and/or transactions.

17.25. Multiple positions in the company. A director may hold others offices or remunerated position in the company while continuing to serve as a director, except the office of auditor, or the secretary of the company (if and only if the company has only one director).

17.26. Directors’ determination of multiple positions. The Directors shall determine the period and terms (such as with regard to remuneration) that directors may serve in other positions in the company.

17.27. Qualification as Director. No director (or person intending to be a director) shall be disqualified as a director because he or she contracts with (works with) the company...
either with regard to his tenure (time) in any such position or because he or she worked as vendor, purchaser or otherwise in/for/to the company.

17.28. Alignment of interests and director’s other work. Directors should not avoid any contract, or any contract or arrangement entered into by or on behalf of the company in which any director is in any way interested.

17.29. No apologies rule. No director need account to the company for any profits realised by contracting or holding a position (or fiduciary relation) in/with the company.

17.30. Involvement in own non-director’s appointment. A director, despite his own interest in the appointment, may be counted in the quorum present at any meeting at which he or any other director is appointed to hold any non-director position or office in the company and/or where the directors discuss the terms of such an appointment.

17.31. Involvement in others’ non-director’s appointment. A director holding any remunerated or revenue-generating position in the company may vote on appointments or contracts related to other people and positions other than his own. He or she may also vote on matters related to the appointment or the arrangement of the terms of these other persons affiliated with the company.

17.32. Compensation for professional services. The company may pay for the services of any director (or his firm) who may provide professional services (except that of auditors of the company) and/or who -- in the opinion of the directors – provides services outside the scope of his ordinary director’s duties.

17.33. Procedures for cashing payments. The directors shall determine by resolution the manner by which all cheques, promissory notes, drafts, bills of exchange and other negotiable instruments as well as all receipts for payments to the company, shall be signed, drawn, accepted, endorsed, or otherwise executed (as the case may be).

17.34. Bookkeeping. Subject to regulation 85 of the Ordinance, the directors (other than any alternate directors who do not serve as directors of the company already) shall cause minutes to be made in books provided for the purpose of recording:
   a) all appointments of officers made by the directors,
   b) names of the directors present at each meeting of the directors and of any committee of the directors,
   c) all resolutions and proceedings at all meetings of the company as well as meetings of the directors, and meetings of committees of directors,

17.35. Signing in. Every director (including alternate directors) present at any meeting of directors, or committee of directors, shall sign his name in a book to be kept to record their attendance.

17.36. Pensions. The directors, on behalf of the company, may pay a gratuity, pension or allowance to any retiring director who has held another salaried company position or
office. The company may also pay such retirement benefits to the director's spouse or dependants.

17.37. Provision for future pension liabilities. The company may contribute to a fund (or funds) and pay premiums for the purchase or provision of future retirement-related gratuities, pensions and/or allowances.

Section 18: Disqualification of Directors

18.1. A director shall lose his office (cease to hold office as director) in the company if the director:

a) becomes prohibited by law from acting as a director or ceases to be qualified to act as a director,

b) resigns either by giving notice in writing to the company or by submitting his resignation to a meeting of the directors (and the directors resolve to accept the resignation), or

c) becomes bankrupt or engages in negotiations with all his or her personal creditors to restructure his or personal debt, or

d) is of unsound mind and the directors resolve to remove him or her from office,

e) without permission, continuously misses meetings of the directors for 6 months (or if he/she appoints an alternate director, the alternate fails to attend in his place) -- and the directors pass a resolution to remove that director from office because of such absences,

f) is removed from office by an ordinary resolution, or

g) is convicted of an indictable offence in Hong Kong.

Section 19: Appointment and Removal of Directors

19.1. Power to temporary appoint a director. The directors shall have power, at any time, to appoint any person to be a director. These directors may make such an appointment either to fill a casual vacancy or as an additional director. Any director appointed under this provision shall hold office only until the end of the next (following) annual general meeting. The appointment director shall then be eligible for re-election.

19.2. Removal of directors. The company may, by ordinary resolution, remove any director before the expiration of his period of office despite and irregardless of any considerations listed in these Articles or any agreements made by the company and the director concerned.
19.3. Right to damages. The removal of a director by ordinary resolution does not waive or affect his or her potential claim for damages for breach of any contract of service between him or her and the company.

19.4. Nomination of a temporary replacement for removed directors by company members. The company may, by ordinary resolution, appoint another person in place of a director removed from office (under the provisions discussed in article 19.2 above). Any member must give notice to the company at least seven days before the Annual General Meeting of this member’s intention to propose such a resolution.

19.5. Members’ nomination of a replacement director and directors’ right to appoint a replacement. Without affecting the powers of directors – as defined in article 19.1 of these Articles -- to appoint a temporary director, the company in general meeting may appoint any person to be a director either to fill a casual vacancy or as an additional director.

19.6. Retirement of temporary director. The person appointed to replace a dismissed director or to fill such a vacancy shall be subject to retirement at the same time the replaced director was due to retire.

Section 20: Proceedings of Directors

20.1. Form of directors’ meetings. The directors may meet together to conduct business, adjourn, and otherwise regulate their meetings, as they think fit. Questions arising at any meeting shall be decided by a majority of votes. In case of an equality of votes, the chairman shall have the determining vote.

20.2. Calling a directors’ meeting. Any director may ask the secretary to call a meeting of the directors at any time and for any reason.

20.3. Method of communication. If the directors anticipate that they will not be in the same place at the time of the called-for meeting, the any notice of the directors’ meeting must indicate how these directors will communicate with each other during the meeting.

20.4. Directors’ participation in a meeting. Directors participate in a directors’ meeting or part of a directors’ meeting when:

   a) the meeting has been called and takes place in accordance with these Articles, and

   b) each director can communicate to the others any information or opinions he or she has on any particular item of the business at the meeting.

20.5. Location. When one or more of the directors participating in a meeting are not in the same place, they may decide in which location the meeting will deemed to have taken place. Such a place can only consist of a place at each at least one of these director is physically present.
20.6. Establishment of Quorum. The directors may determine the quorum necessary to transact business. Until the directors declare otherwise, two (2) directors personally present or represented by the alternate directors shall comprise a quorum. If the company has only one director, meetings with the single director present shall be quorate.

20.7. Affairs in inquorate meetings. Directors may continue to transact business even if (after) a director has left. If the number remaining directors falls belows the number needed comprise a quorum of directors, the remaining (continuing) director – or directors – may only engage in activity aimed at increasing the number of directors or summon a general meeting of the company.

20.8. Election of a chairman. The directors may elect a chairman for their meetings and determine the period of his or her chairmanship. If they do not elect a chairman, or if at any meeting the chairman is not present within **five (5) minutes** after the scheduled start of the meeting, the directors present may choose another director to chair the meeting.

20.9. Power to delegate powers to committee. The directors may delegate any of their powers to committees consisting of particular (or smaller groups of) directors. Any committee formed shall, in the exercise of the powers, comply with regulations, work methods and limitations set forth by the directors.

20.10. Committee chairs. A committee may elect a chairman for its meetings. If committee members do not elect a chairman, or if at any meeting the chairman is not present within **five (5) minutes** after the scheduled meetings’ starting time, the members present may choose one among themselves to chair the meeting.

20.11. Committee procedure. A committee may meet and adjourn as its members think proper. Majority vote of the members present shall settle questions arising at any meeting. In case of a tied vote, the chairman shall cast the deciding vote.

20.12. Acts of ineligible directors. Acts of directors, or persons acting as a director, shall remain valid even if the directors later discover than one or more of them had been improperly appointed or had been disqualified.

20.13. Equivalence of signed resolutions and meeting resolutions. A resolution in writing signed by all directors (who are entitled to receive notice of a meeting of the directors), shall be as valid as a resolution passed at a duly held directors meeting.

20.14. Form for passed-around resolutions. Such resolution (done in writing and signed by a quorum of all eligible directors) may consist of several documents which accurately state the terms of the resolution. Each document (or set of papers) may bear the signature of one or more directors (or his, her or their alternates).
20.15. Exception to the passed around resolutions rule. Such resolutions described in 20.13 and 20.14 shall **not** apply when the resolution pertains to any contract or arrangement in which a director or directors are personally and materially interested.

20.16. Exceptions to the exceptions of the passed around resolution rule. Such resolutions described in 20.13 and 20.14 may still be valid if a quorum of the directors (not counting the director with the personal material interest) sign the resolution. The resolution may also be valid the contract or arrangement deals with an issue described in articles 17.22 through 17.32.

**Section 21: Managing Director**

21.1. Appointment of an MD. The directors may appoint – or revoke the appointment of—one or more of their body to the office of managing director for such period and on such terms as they think fit.

21.2. MD compensation. The directors may decide on the amount and terms under which a managing director shall receive remuneration (such as a salary, commission or participation in profits, a combination of these methods or other method of payment).

21.3. Powers of the MD. The directors may confer upon a managing director, or remove from the managing director any of the powers exercisable by them. Such a conferral may include any terms, conditions and restrictions the directors see fit. Directors may vary any or all of these powers as they see fit. Directors may also limit their own powers so as to consolidate certain types of decisions in the office of the managing director.

**Section 22: The Seal**

Section 22.1. The directors ensure the safe custody of the company seal, which shall only be affixed to any instrument by the authority of the directors or of a committee of the directors authorized to use the seal on their behalf. Every instrument bearing the seal shall also be signed by a person (or persons) designated by the board of directors. Any document (instrument) bearing the seal and authorised signature of the company representative shall be deemed to be properly sealed and executed with the authority of the directors.

**Section 23: Secretary**

23.1. The directors shall appoint a secretary of the company on terms and conditions which the directors think fit. The directors may remove from office the secretary (though the secretary may still claim for damages for breach of any contract of service between him and the company if applicable). When the company has only one director, the sole director can not appoint him or herself as secretary, nor appoint any corporation of which the director is also a sole director, as secretary of the company.
Section 24: Indemnity

24.1. Every director, managing director, agent, auditor, secretary and other officer, while working for or on behalf of the company, shall be indemnified out of the assets of the company against any liability incurred by him or her in relation to the company or a related company of the company.

Section 25: Distribution of Profits

25.1. Declaration of dividends. The company, may by ordinary resolution, declare dividends. No dividend shall exceed the amount the directors recommend.

25.2. Interim dividends. The directors may pay to the members interim dividends.

25.3. Profits-only dividends. The company may only distribute the company available for distribution to pay dividends. Members can not earn interest on undistributed dividends and dividends may not take the form of interest-bearing coupons.

25.4. Dividend reserve fund. Subject to the approval of the company in general meeting, the directors shall establish a reserve fund (or funds) in which the company’s net profits each year shall be deposited. The reserve fund shall be used to pay dividends and bonuses as the directors may decide.

25.5. Dividend payment requirement. Taking into account the rights of shareholders (persons) entitled to special divided rights, all dividends shall be declared and paid as declared (or credited as paid) on the shares entitled to receive dividends.

25.6. No pre-payment. No amount paid (or credited as paid) on a share in advance of the declaration of the dividend counts as having been paid on the relevant share(s).

25.7. Proportionality of divided payments. Taking into account the rights of shareholders (persons) entitled to special divided rights, all dividends shall be apportioned and paid proportionately to the number of shares held by members and proportionally to the fraction of the dividend period in which the member held those shares. For example, imagine the directors declare a $100 dividend for all shareholders holding shares from 1 January to 1 July. The member held 10% of the common shares (without special dividend rights) starting from 1 March. The investor would therefore receive a dividend of $6.66.

25.8. Shares with special dividend dates. If the company issues shares on that the share should receive dividends starting from a specific date, then the company shall pay dividends on those shares taking that special (specific) date into account. For example, shares issued on 1 January may not start accruing the right to receive dividends until 1 April. If the company declares a dividend pay-out date of 1 July, the directors would only accrue 3 months of dividend obligations for that special share of stock.
26.9. Withholding dividend payments on security. The directors may retain any dividend or other moneys payable to share on which the company has a lien. Dividends earned on these shares may apply toward paying of the debts which led to the encumbrance (lien).

26.10. Dividends to joint shareholders. If two or more persons are registered as joint holders of any share, any one of these joint holders may demand and receive any dividends or money due to them a joint holders of the share(s).

26.11. Transfer of shares and dividends. Shareholders only receive the right to dividend payment from the day they are registered as shareholders. Shareholders who buy, sell and otherwise transfer company shares between themselves must settle between themselves the issue of interest which accrues from the day of their transfer until the day the new owner’s name enters the company’s register of members.

26.12. Deadline for demanding dividends. Shareholders have 6 years (2,190 calendar days) from the dividend declaration date to claim and receive their dividends. Dividend unclaimed after 6 years shall be forfeited to the company.

Section 27: Capitalization of Profits

27.1. Retained earnings. Upon the recommendation of the directors, the company - in general meeting - may resolve to capitalize any part of the money in any of the company's reserve accounts, its profit-and-loss-account, funds other available for distribution to shareholders.

27.2. Distribution of share or debenture dividends. The directors may pass a resolution to use retained earnings (sums available for distribution to shareholders) to either pay unpaid shares or pay-up unissued shares and/or debentures and distribute these paid-up shares or debentures among shareholders in proportion to their dividend entitlement, and/or any combination of these two uses.

27.3. Form of share dividend directors’ resolution. The directors may pass a resolution along the lines that “a share premium account and a capital redemption reserve fund may only be applied in the paying up of unissued shares to be allotted to members of the company as fully paid bonus shares.”

27.4. Putting the share dividend resolution into practice. When passing a resolution like that stated in article 27.3, the directors shall capitalise undistributed profits by:

a) allotting fully-paid shares or debentures,
b) issue fractional certificates and/or
c) make payment in cash or otherwise for shares or debentures distributable in fractions,

27.5. Right to receiver. The directors may authorize any person to enter, on behalf of all the members entitled to dividends paid as fully-paid shares or debentures, into an agreement with the company allowing that person to allocate to dividend-eligible
shareholders further fully paid-up shares or debentures. The allocation may also be used to pay up unpaid shares. Any agreement made to deal with this one person be binding on all dividend-eligible members.

**Section 28: Audit**

Section 28: The company shall appoint auditors and ensure the regulation of their duties in accordance with sections 131, 132, 133, 140, 140A, 140B and 141 of the Ordinance.

**Section 29: Accounts**

29.1. The directors shall put in place and ensure the oversight of proper accounting procedures and books of account with respect to:

   a) all money received and spent by the company and record the way money has been earned and spent,

   b) all sales and purchases of goods by the company; and

   c) the company’s assets and liabilities.

29.2. Quality of accounting. Directors must ensure that accounts provide “true and fair” representation of the company's finances and adequately explain its transactions.

29.3. Location of accounting records. The accounting books shall be kept at the registered office of the company, or, (subject to section 121(3) of the Ordinance), at another place/places the directors think fit.

29.4. Inspection. The accounting records (books of accounts) and shall always be open to the inspection of the directors.

29.5. Inspection by third-parties. The directors shall determine whether, to what extent, at what times and places, and under what conditions the company’s accounting records and documents shall be open to the inspection of members not being directors.

29.6. Prohibition from members looking at accounts. No non-director member may inspect any account or book or document of the company, except in cases allowed by statute, authorized by the directors or by the company in general meeting.

29.7. Presentation of accounts to the company. The directors shall, from time to time (and in accordance with sections 122, 124 and 129D of the Ordinance), cause to be prepared and to be presented to the company in general meeting profit and loss statements, balance sheets, group accounts (if any) and any reports related to those statements.
Section 30: Notices

30.1. Method of delivering notices. A notice may be given by the company to any member either:

a) personally,

b) sending it by post (physical mail) to an address specified in section 168BAE of the Ordinance.

c) in electronic form to an address specified in the above provision of the Ordinance if the member has agreed to receive notices in this form and the agreement has not been revoked in accordance with the Ordinance’s provisions, or

d) by means of website (in accordance with section 168BAH of the Ordinance) if the member has agreed to receive notices in this form and the agreement has not been revoked in accordance with the Ordinance’s provisions.

30.2. Notices delivered to joint holders. The company may give a notice to the joint holders of a share by giving the notice to the joint holder owning the share first named in the register of members.

30.3. Notices to the beneficiaries of dead and bankrupt members. The company may give a notice to persons entitled to a share as the result of the death or bankruptcy of the member originally holding (owning) the share. The company should the notice through the post in a prepaid letter addressed to the beneficiary (person who received the share) by name, by the title as representatives of the deceased (or trustee of the bankrupt), or by any like description. The address should also contain the address, if any, within Hong Kong supplied by the persons claiming the share. If no address has been given, the company shall send the notice to the original member as if the death or bankruptcy had not occurred.

30.4. Notices of general meetings. Notice of every general meeting shall be given (in any manner described above) to:

a) every member (except members who have no registered address in Hong Kong and thus have not given the company a Hong Kong address,

b) every person entitled to a share as the result of the death or bankruptcy of a member, and

c) the current (present) company auditor.

30.5. Exclusion of non-members at general meeting. No other person shall be entitled to receive notices of general meetings.

30.5. Language of notices. All notices given to the members under these regulations must be in the English language or Chinese or both.
Section 31: Winding up

31.1. If the company shall be wound up, the liquidator may, with the sanction of a special resolution of the company (and any other sanction required by the Ordinance), divide the company’s assets amongst the members. Such a division may occur of the remaining assets themselves (as they are) or assets of similar value in whole or any part (whether they consist of property of the same kind or not).

31.2. Setting value. The liquidator may, in order to divide company’s assets, set a value he or she deems fair for the property to be divided.

31.3. Method of division. The liquidator may determine how the division of assets shall be carried out between the members or different classes of members.

31.4. Right to appoint trustees. The liquidator may vest all or any part of the company’s assets in trustees who have the same objective as the liquidator. The trustee shall divide trust assets for the benefit of the contributories.

31.5. No securities rule. No member shall be compelled to accept any shares or other securities when the company owes members assets or shares of the companies assets.

Section 32: Interpretation of these Articles of Association

32.1. Plain meaning interpretation. In case of dispute, disagreement, or need for further clarification and interpretation of these Articles, parties should consider the plain meaning of the text.

32.2. Reference to Form B. These Articles paraphrase each article from Form B of the Ordinance into simpler English language provisions. In case of ambiguity, parties to these Articles of Association and arbiters should refer to the relevant provision or article in Form B which we rewrote into simpler English. If the parties can not agree to a plain meaning version of the article, previous interpretation, case law and traditional usage applies to the rewritten article as if it were the original article in Form B.