

# NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 2001 Annual General Meeting of the Company will be held at the Conference Room on 3/F, Angang Dong Shan Hotel, 108 Dong Feng Street, Tie Dong District, Anshan City, Liaoning Province, the People's Republic of China at 9:00 a.m. on 15 May 2002 for the purpose of considering and, if thought fit, passing the following resolutions:

1. to consider and approve the 2001 report of the board of directors (the "Board") of the Company;
2. to consider and approve the 2001 report of the supervisory committee of the Company;
3. to consider and approve the audited financial statements of the Company as at 31 December 2001;
4. to consider and approve the proposed profit distribution plan of the Company for 2001;
5. to determine the remuneration of the directors and the supervisors of the Company for 2001;
6. to consider and approve the appointment of KPMG (Certified Public Accountants in Hong Kong) and KPMG Peat Marwick Huazhen (Registered Accountants in the People's Republic of China (excluding Hong Kong)) as the Company's international and domestic auditors, respectively, for 2002, to hold office until the conclusion of the 2002 Annual General Meeting, and to authorise the Board to determine their remuneration;
7. to consider and approve the Resolution in Relation to the Amendments to Relevant Terms of the Articles of Association of the Company;
8. to consider and approve the Rules of Proceedings of General Meetings; and
9. to consider and approve the Resolution in Relation to the Establishment of Committees under the Board.

By order of the Board  
**Fu Ji Hui**  
*Company Secretary*

Liaoning Province, the PRC  
25 March 2002  
Registered Office:  
No. 396, Nan Zhong Hua Lu,  
Anshan City, Liaoning Province  
The People's Republic of China

## Notice of Annual General Meeting *(continued)*

### *Notes:*

- (A) Holders of the Company's H shares whose names appear on the register of members of the Company at the close of business on 15 April 2002 are entitled to attend the Annual General Meeting with their passports or other identity papers.
- (B) The register of members of the Company will be closed from 16 April 2002 to 15 May 2002, both days inclusive, during which time no share transfer will be effected.
- (C) Each shareholder who has the right to attend and vote at the Annual General Meeting is entitled to appoint one or more proxies, whether they are shareholders or not, to attend and vote on his behalf at the Annual General Meeting.
- (D) A proxy of a shareholder who has appointed more than one proxy may only vote on a poll in respect of the shares actually held.
- (E) The instrument appointing a proxy must be in writing under the hand of the appointer or his attorney duly authorised in writing. If that instrument is signed by an attorney of the appointor, the power of attorney authorising that attorney to sign, or other documents of authorisation, must be notarially certified. To be valid, the notarially certified power of attorney, or other documents of authorisation, and the form of proxy must be delivered to the Company's registrar, HKSCC Registrars Limited of 2nd Floor, Vicwood Plaza, 199 Des Voeux Road Central, Hong Kong not less than 24 hours before the time appointed for the holding of the Annual General Meeting.
- (F) Shareholders intending to attend the Annual General Meeting should return the reply slip (which will be despatched to the shareholders with the Company's 2001 annual report) to the Secretary's Office of the Company before 24 April 2002 personally or by mail, facsimile or cable. Failure to return the reply slip will not affect shareholders' rights to attend in person.
- (G) Pursuant to the Standard Opinion In respect of the General Meeting of Listed Companies and Guided Opinion Regarding Establishment of Independent Director System in Listed Companies promulgated and implemented by the China Securities Regulatory Commission, the Company intends to make the following amendments to the Articles of Association, of which 21 are newly added articles and 7 are amended articles.
  - I. Newly added articles:
    - 1. New Article 59: Annual general meeting or any general meeting convened upon the request of shareholders, or supervisory committee shall not adopt resolutions by way of circulating written resolutions. Extraordinary general meeting may not adopt resolutions by way of circulating written resolutions when considering and approving the following matters:
      - (1) Increase or reduction of registered capital of the Company;
      - (2) Issuance of the Company's debenture;
      - (3) Division, merger, dissolution and liquidation of the Company;
      - (4) Amendment to the Articles of Association of the Company;
      - (5) Profit distribution plan and loss compensation plan;
      - (6) Appointment and removal of directors and supervisors;
      - (7) Change on use of proceeds;
      - (8) Connected transaction which is subject to approval by shareholders at general meeting;
      - (9) Acquisition or disposal of asset which is subject to approval by shareholders at general meeting;
      - (10) Change of accounting firm.

2. New Article 62: With respect to tentative motions of annual general meeting, the Board of Directors shall review the aforesaid motions according to the following principles:

(1) Related party matters

The Board of Directors shall review any tentative motions proposed by shareholders. The resolutions which are directly related to the Company and do not contravene the laws, regulations nor exceed the scope of functions of general meetings as required by the Articles of Association of the Company shall be proposed at general meetings for discussion. The motions which do not comply with the aforesaid requirements shall not be proposed at general meetings for discussion. In the event that the Board of Directors determines not to take any motions proposed by shareholders to general meetings for voting, the Board of Directors shall explain and state the reasons therefore at such meeting.

(2) Procedural matters

The Board of Directors may make a decision in respect of procedural matters proposed by a motion of shareholders. If the motion is to be decided by voting separately or jointly, the consent from the shareholder proposing the motion shall be obtained. If the shareholder proposing the motion does not consent to the change, the Chairman of the general meeting may seek a decision at the general meeting concerning procedural matter, and there will be discussions according to procedures decided at the general meeting.

3. New Article 85: When considering related party transactions at the general meeting, the related shareholders shall not participate in voting and their shares carrying voting right shall not be counted in the total number of valid votes. Announcement regarding resolution passed at general meeting shall fully disclose the details in respect of non-related shareholders' votes. In the event of exceptional circumstances under which the related shareholders cannot abstain from voting, after obtaining consent from the related departments and the Stock Exchange of Hong Kong, voting may be carried out according to the normal procedures, and detailed explanation shall be given in the announcement regarding resolutions passed at the general meeting.

4. New Article 97: The Company shall establish an Independent Director System. An Independent Director refers to a director who does not act in other capacities in the Company other than director, nor there any relationship between the Company and its substantial shareholders which may affect the director in making objective judgements.

5. New Article 98: The Board of Directors shall appoint Independent Director according to the relevant provisions. Unless otherwise stated, the contents of the first section of these Articles of Association are applicable to Independent Director.

6. New Article 99: An independent director shall meet the following basic requirements:

- (1) Possess the qualifications as a director of a listed company according to the laws, administrative regulations and other related regulations;
- (2) Have the independency as stipulated in Article 100 of the Articles of Association.
- (3) Have the basic knowledge in respect of the operations of listed companies, familiarize with the relevant laws, administrative regulations, rules and regulations.
- (4) Possess more than 5 years' working experience in practising law, finance or the other experiences necessary for discharging the duties as an independent director.

Other requirements as specified by these Articles of Association.

## Notice of Annual General Meeting *(continued)*

7. New Article 100: An independent director shall have his own independency. The following persons shall not act as an independent director:
- (1) any employees of the Company or its subsidiaries and his/her spouse, parents, children, brothers, sisters, parents-in-law, sons/daughters-in-law, spouses of brothers and sisters, brothers and sisters of spouse;
  - (2) natural persons holding, directly or indirectly, 1% or above of the shares of the Company in issue or being one of the top 10 shareholders of the Company and his/her spouse, parents or children;
  - (3) employee of an entity shareholder which directly or indirectly holds 5% or above of issued shares or employee of the top 5 entity shareholders and his/her spouse, parents, children;
  - (4) any person who satisfies any of the above 3 situations during the most recent year;
  - (5) any person who provides financial, legal, consultation services for the Company or its subsidiaries or an employee who works for the related companies;
  - (6) any person specified by the Articles of Association;
  - (7) any person who is specified by the China Securities Regulatory Commission.
8. New Article 101: The Company's Board of Directors, Supervisory Committee and shareholders, individually or jointly, holding more than 1% of the issued shares of the Company may nominate a candidate for independent director and a decision by voting will be made at the General Meeting.
9. New Article 102: The nominator of an independent director shall obtain the consent of the nominee before nomination. The nominator shall fully understand the nominee's profession, educational level, job title, detailed working experience, all part-time job details, and shall give an opinion regarding the nominee's qualifications and independence in acting as independent director. The nominee shall make an announcement, expressedly stating that there is no relationship between the Company and himself which may affect him in making independent and objective judgments.
- Before the general meeting for election of independent directors, the Board of Directors shall make an announcement in respect of the aforesaid in accordance with the regulations.
10. New Article 103: Before the general meeting is convened to elect an independent director, the Company shall submit the particulars of all nominees to the China Securities Regulatory Commission, its Shenyang Securities Administrative Office and the Shenzhen Stock Exchange. If the Board of Directors holds a dissenting view in respect of the nominees, it shall concurrently submit its written opinion.
- A nominee, against whom a dissenting view is expressed by the China Securities Regularory Commission, may act as a candidate for director of the Company, but not a candidate for independent director. During the election of the independent director at the general meeting, the Board of Directors shall explain whether the candidate for independent director has received a dissenting view from the China Securities Regularory Commission or the Stock Exchange of Hong Kong.
11. New Article 104: The term of an independent director is the same as that of any other directors. An independent director who is re-elected may serve for another term not exceeding 6 years if he/she is re-elected after his/her term of office expires.
12. New Article 105: The Board of Directors shall propose to the general meeting to dismiss an independent director who consecutively fails to attend the Board meeting in person for 3 times. Except for the situations which prohibit anyone from serving as directors or independent director as provided by the aforesaid Company Law and these Articles of Association, an independent director cannot be removed without stating a reason therefore before expiration of his term. The Company shall disclose the early removal of an independent director as a special disclosable matter. The independent director who believes his removal unjustifiable may make a public statement in relation thereto.

13. New Article 106: An independent director may resign before expiration of his/her term. An independent director shall submit a resignation report in writing to the Board of Directors explaining the details regarding his/her resignation or anything that he/she believes that the shareholders and the debtors of the Company should pay attention to.

If the resignation of the independent director results in the ratio of independent directors against the total number of directors in the Board dropping to less than one-third, the resignation report shall become effective only when the next independent director has filled his position.

14. New Article 107: Apart from the powers vested by the Company Law and other related laws, regulations and these Articles of Association, an independent director shall be vested with the following special powers and duties:

- (1) Any connected transaction entered into between the Company and any connected persons, the aggregate consideration for which is more than RMB 3 million or more than 5% of the latest audited net asset or reaches HKD10 million or exceeds 3% of the net tangible asset of the Company as disclosed in the latest published audited accounts or consolidated accounts (if applicable), whichever is higher, subject to confirmation by the independent directors, shall be submitted to the Board of Directors for discussion. Before the independent directors make a judgment, they can appoint intermediaries to issue an independent financial report as the basis for their judgment;
- (2) propose to the Board of Directors for the appointment or dismissal of an accountants' firm;
- (3) propose to the Board of Directors for convening an extraordinary general meeting;
- (4) propose to convene the Board Meeting;
- (5) appoint an external auditing firm or consulting firm independently;
- (6) collect the voting rights from shareholders before the general meeting is convened.

An independent director shall obtain consents of at least half of all independent directors when he exercises the above powers. Should the above proposal not be adopted or the above powers cannot be exercised normally, the Company shall disclose the above matters.

15. New Article 108: Apart from performing the aforesaid duties, an independent director shall provide an independent view to the Board of Directors or at general meeting in respect of the following matters:

- (1) nomination, appointment and dismissal of directors;
- (2) employment or dismissal of senior management personnel;
- (3) remuneration of directors and senior management personnel;
- (4) any existing or new loan or other financial transaction by the Company's shareholders, de facto controlling person and related enterprises which is more than RMB 3 million or more than 5% of the latest audited net asset of the Company or reaching HKD10 million or 3% of the net tangible asset as disclosed in the latest published audited accounts or consolidated accounts (if applicable), whichever is higher and whether the company has adopted effective measures to recover the debt;
- (5) Matters which an Independent Director deems detrimental to the benefits of medium and small shareholders;

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- (6) Other matters stipulated by the Company's Articles of Association.

An Independent Director shall give one of the following opinions in respect of the aforesaid matters - Consent; qualified opinion and reason; objection views and its reason; inability of giving an opinion and its difficulties.

If the matter shall be disclosed, the Company shall announce the Independent Director's opinion. Where there are dissenting opinions among the Independent Directors resulting in lack of unanimity, the Board of Directors shall disclose all Independent Directors' opinions separately.

16. New Article 109: To safeguard the Independent Director to exercise his powers effectively, the Company shall provide an Independent Director with essential conditions.
- (1) The Company shall ensure that the Independent Director have the same right to know the facts as other Directors. The Company shall inform the Independent Director of matters which are decided by the Board of Directors before the statutory time and provide enough information simultaneously. Should an Independent Director regard the information provided is not enough, he may request supplementary information. Whenever 2 or more than 2 Independent Directors regard the information provided is insufficient or the evidence is not explicit, they can jointly request the Board of Directors in writing to postpone the Board Meeting or postpone considering that matter and the Board of Directors shall accept accordingly. The Company shall provide the essential conditions to enable the Independent Director to carry out his duties. The Secretary of the Board of Directors shall positively provide assistance to enable the Independent Director to carry out his duties; the Secretary of the Board of Directors shall arrange announcements with the securities exchange timely if any independent opinion, proposal and written explanation issued by the Independent Director shall be announced.
  - (2) When an Independent Director exercises his powers, relevant staff of the Company shall positively co-ordinate, shall not refuse, obstruct or cover up, shall not interfere his independent right to exercise his powers.
  - (3) Expenses shall be borne by the Company in respect of appointment of an intermediary organization by an Independent Director or an Independent Director's exercising of his powers.
  - (4) The Company shall give appropriate subsidies to the Independent Director and disclose the same in the Company's Annual Report.
  - (5) Apart from the above subsidies, an Independent Director shall not obtain extra and undisclosed benefits from the Company and its major shareholders or organizations or persons with a conflict of interest.
17. New Article 110: an Independent Director has a fiduciary and diligent obligation to the Company and all shareholders.
18. New Article 111: According to relevant laws, regulations, standard documents and the requirements of these Articles of Association, an independent director shall perform his duties seriously, uphold the overall interests of the Company and, in particular, prevent the benefit of the medium and minority shareholders from damaged.
19. New Article 112: An independent director shall carry out his duties independently without being affected by the majority shareholders of the Company., de facto controller or any entity or individual with a conflict of interest with the Company.
20. New Article 173: Equipped with auditing staff, the Company practices internal auditing system by supervising and auditing the Company's incomes and expenses, as well as its economic activities.
21. New Article 174: The internal auditing system and the duties of the auditing staff shall be implemented after the approval of the Board of Directors. The Officer-in-charge of the auditing team shall be responsible to the Board of Directors and report the work accordingly.

II. Amended articles (other articles are renumbered correspondingly due to the newly added articles)

1. Original Articles 60: Shareholders holding five per cent. or more (including 5%) of the voting rights of the Company are entitled to propose to the Company in writing new resolutions to be considered at an annual general meeting and the Company shall include any proposed resolutions which are within the powers of a general meeting in the agenda for that meeting. Article 61 is hereby amended as follows: Shareholders severally and jointly holding five per cent. or more of the voting rights of the Company or the Supervisory Committee are entitled to propose to the Company in writing tentative motions.

Any tentative motion which is not included in the notice convening board of directors' meeting as a new matter and falls into the category as set out in Article 59, the person proposing such motion shall submit the same to the Board of Directors 10 days prior to the holding of the general meeting for announcement by the Board of Directors after it has reviewed the same.

2. Original Article 97: Meetings of the board of directors are required to be held at least twice every year. board of directors' meetings shall be convened by the Chairman and notices of board of directors' meetings are required to be given to all the directors 10 days before the date of the meetings. In the event of emergency matters, an extraordinary board of directors' meeting may be proposed by more than one-third of the directors or by the general manager of the Company. Article 116 is hereby amended as follows : Meetings of the board of directors are required to be held at least twice every year. board of directors' meetings shall be convened by the Chairman by service of notices to all the directors 10 days before the date of the meetings.

An extraordinary board of directors' meeting may be convened under any of the circumstances set out below:

- (1) when the Chairman deems necessary;
  - (2) when jointly proposed by more than one-third of the Directors;
  - (3) when proposed by the Supervisory Committee;
  - (4) when proposed by the General Manager;
  - (5) when proposed by an Independent Director.
3. Original Article 105: The Company has set up the post of Secretary to the Board of Directors. Secretary to the Board of Directors is a senior management personnel of the Company. Article 124 is hereby amended as follows: The Company has set up the post of Secretary to the Board of Directors. The Secretary to Board of Directors is a senior management personnel of the Company and is accountable to the Board of Directors.
  4. Original Article 116: Meeting of the Supervisory Committee is required to be held at least once every year. The meeting shall be convened by the Chairman of the Supervisory Committee. Article 135 is hereby amended as follows: Meeting of the Supervisory Committee is required to be held at least once every year. The meeting shall be convened by the Chairman of the Supervisory Committee. If the Chairman of the Supervisory Committee fails to perform his duties, he shall appoint a Supervisor to perform the duties on his behalf.

The Supervisor who fails to attend the Supervisory Meeting in person for two consecutive times shall be deemed as failing to carry out his duties and shall be removed at the general meeting or the meeting of staff representatives.

5. Original Article 117 (5): propose to convene an extraordinary general meeting. Article 136(5) is hereby amended as follows: propose to convene an extraordinary general meeting and a Board of Directors' Meeting.

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6. Original Article 145: The Company shall announce its financial report twice during each accounting year, i.e. the interim financial report shall be published according to these Articles of Association within 60 days after the first six months of an accounting year, and the annual financial report shall be published within 120 days after the end of accounting year. Article 163 is hereby amended as follows: The Company shall announce the financial report quarterly during an accounting year, i.e. the quarterly financial report shall be published within 30 days after the first three months and nine months respectively and the interim financial report shall be published within 60 days after the first six months of an accounting year and the annual financial report shall be published within 120 days after the end of an accounting year.
  7. Original Article 146: Apart from the Company's statutory accounting books, no other accounting books shall be kept. Article 164 is hereby amended as follows: Apart from the Company's statutory accounting books, no other accounting books shall be kept. The Company's assets shall not be deposited in any accounts under the names of any other persons.
- (H) The Rules of Procedures at general meeting are formulated according to the laws and regulations such as the Company Law of the PRC, the Securities Law of the PRC and the Standard Opinions In Respect Of The General Meeting Of Listed Companies and the provisions of the Articles of Association of the Company. The main contents are as follows:
1. General Provisions
  2. Conditions in respect of convening general meetings
  3. The convening of general meetings
  4. The content of discussion and proposal of the general meetings
  5. The rules of procedures and the right to speak at the general meetings
  6. The resolutions of general meetings
  7. Special procedures for voting at class general meetings
  8. Keeping of minutes of the general meetings
  9. The implementation of resolutions passed at the general meeting and disclosure of information
  10. Bye-laws
- The full set of papers for discussion in respect of the Rules of Procedures at General Meetings will be presented to the shareholders for consideration at the time when the Shareholders' Meeting is convened.
- (I) It is expected that the general meeting will last for half a day. The expenses for travelling and accommodation shall be borne by the shareholders.
- (J) The address of the secretarial office for the purpose of this general meeting:
- No. 396, Nan Zhong Hua Lu  
Anshan City  
Liaoning Province  
The People's Republic of China  
Post Code: 114003  
Tel: 0412-633 4292  
Fax: 0412-672 7772