

APPENDIX I – PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

(A) PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE COMPANY (THE “ARTICLES OF ASSOCIATION”) AND THE REASONS FOR THE AMENDMENTS

Due to the implementation of the newly amended Company Law of the PRC on January 1, 2006, the Company proposes to amend its Articles of Association according to the related regulations as follows:

1. The second paragraph of the existing Article 10 of the Articles of Association shall be deleted in its entirety.
2. Article 29 of the existing Articles of Association shall be deleted in its entirety and be replaced by the following:

The Company may, with approval according to the procedures provided in these Articles of Association and subject to the approval of the relevant governing authority of the State, repurchase any of its issued shares under the following circumstances:

- (1) cancellation of shares for capital reduction;
- (2) merging with another company that holds shares of the Company;
- (3) paying shares to its employees as bonus;
- (4) repurchasing, upon request, any shares held by any shareholder who is opposed to the Company’s resolution for merger or spin-off at a shareholders’ general meeting of the Company.

Any repurchase of shares under items (1) to (3) of the foregoing paragraph shall be approved by shareholders’ general meeting of the Company. After repurchase of the shares according to the foregoing paragraph by the Company, the shares repurchased under item (1) shall be cancelled within ten days from the date of the repurchase; and the shares repurchased under items (2) and (4) shall be transferred or cancelled in six months.

The shares repurchased by the Company under item (3) of the first paragraph may not exceed 5 per cent of the total of the Company’s issued shares. Such repurchase shall be financed by the Company’s profit after tax. The shares so repurchased shall be transferred to the employees within one year.

In the event that the regulatory authorities at the place of listing of the overseas-listed foreign shares have different requirements, such requirements shall prevail.

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3. Article 32 of the existing Articles of Association shall be deleted in its entirety and be replaced by the following:

Shares which shall be cancelled according to the laws, regulations, Articles of Association or resolution of shareholders' general meeting after the repurchase in accordance with the law by the Company, shall be cancelled within the period prescribed by the laws and administrative regulations, and the Company shall apply to the original companies registration authority for registration of the change in its registered capital.

The aggregate par value of those cancelled shares shall be reduced from the amount of the Company's registered capital.

4. The second paragraph of Article 46 of the existing Articles of Association shall be deleted in its entirety and be replaced by the following:

If a shareholder of domestic shares loses his share certificate and applies for a replacement of new certificate, the Company shall process the application in accordance with Article 144 of the Company Law.

5. Article 56 of the existing Articles of Association shall be deleted in its entirety and be replaced by the following:

The shareholders' general meeting shall have the following functions and powers:

- (1) to decide on the Company's operational policies and investment plans;
- (2) to elect and replace directors and decide on matters relating to the remuneration of directors;
- (3) to elect and replace the supervisors who are representatives of shareholders and decide on matters relating to the remuneration of supervisors;
- (4) to review and approve reports of the board of directors;
- (5) to review and approve reports of the supervisory committee;
- (6) to review and approve the Company's proposed preliminary and final annual financial budgets;
- (7) to review and approve the Company's profit distribution plans and plans for making up for losses;
- (8) to resolve any increase or reduction in the Company's registered capital;

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- (9) to resolve matters such as merger, spin-off, dissolution and liquidation of the Company;
 - (10) to resolve the issuance of debentures by the Company;
 - (11) to resolve the appointment, dismissal and disengagement of the accounting firm of the Company;
 - (12) to amend these Articles of Association;
 - (13) to consider motions proposed by shareholder(s) who represent(s) 3 per cent or more of the total shares of the Company carrying the right to vote;
 - (14) to decide on other matters which require resolutions of the shareholders at the general meeting according to the relevant laws, administrative regulations and provisions of these Articles of Association;
 - (15) to decide on matters which the board of directors may be delegated or authorized to deal with by the shareholders at a general meeting.
6. Article 58 of the existing Articles of Association shall be deleted in its entirety and be replaced by the following:

Shareholders' general meetings are divided into annual general meetings and extraordinary general meetings. Shareholders' general meetings shall be convened by the board of directors. Annual general meetings shall be held once every year and within six (6) months from the end of the preceding accounting year.

Under any of the following circumstances, the board of directors shall convene an extraordinary general meeting within two (2) months:

- (1) when the number of directors is less than the number of directors required by the Company Law or two-thirds of the number of directors specified in these Articles of Association;
- (2) when the unrecovered losses of the Company amount to one-third of its total share capital;
- (3) when the shareholder(s) severally or jointly holding 10 per cent or more of the Company's outstanding shares carrying voting rights request(s) in writing to convene an extraordinary general meeting;

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- (4) when deemed necessary by the board of directors;
 - (5) when requested by the supervisory committee.
7. Article 59 of the existing Articles of Association shall be deleted in its entirety and be replaced by the following:

When the company convenes a shareholders' general meeting, a written notice of the meeting shall be given thirty (30) days before the date of the meeting to notify all shareholders whose names are shown in the share register of the matters to be considered and the date and venue of the meeting. A shareholder who intends to attend the meeting shall deliver his written reply concerning the attendance of the meeting to the Company twenty (20) days before the date of the meeting.

8. Article 60 of the existing Articles of Association shall be deleted in its entirety and be replaced by the following:

Shareholders who severally or jointly holding more than 3 per cent of the Company's shares, may present an extraordinary proposal in written form to the board of directors ten (10) days before the shareholders' general meeting. The board of directors shall notify other shareholders within two (2) days upon receipt of such extraordinary proposal and present the same to shareholders' general meeting for discussion. The subject of the extraordinary proposal shall fall within the functions and powers of a shareholders' general meeting, and shall have a clear topic for discussion and specific matters for resolution.

9. The second paragraph of Article 61 of the existing Articles of Association shall be deleted in its entirety and be replaced by the following:

A shareholders' general meeting shall not resolve any matter not stated in the notice of such meeting.

10. The second paragraph of Article 63 of the existing Articles of Association shall be deleted in its entirety and be replaced by the following:

The public notice referred to in the preceding paragraph shall be published in one or more newspapers designated by the securities regulatory authority within the interval between thirty (30) days and forty (40) days before the date of the meeting. After the publication of such notice, all holders of domestic shares shall be deemed to have received the notice of the relevant shareholders' general meeting.

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11. The first paragraph of Article 72 of the existing Articles of Association shall be deleted in its entirety and be replaced by the following:

When shareholders (including their proxies) vote at the shareholders' general meeting, they shall exercise their voting rights according to the number of voting shares that they represent. Each share shall carry one voting right. Any share of the Company held by the Company does not carry any voting right.

12. Article 78 of the existing Articles of Association shall be deleted in its entirety and be replaced by the following:

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

- (1) the increase or reduction in share capital and the issue of shares of any class, warrants and other similar securities by the Company;
 - (2) the issue of debentures by the Company;
 - (3) the spin-off, merger, dissolution and liquidation of the Company;
 - (4) the amendments to these Articles of Association;
 - (5) the alternation of the form of the Company;
 - (6) any other matters considered by the shareholders' general meeting, by way of an ordinary resolution, to be of a nature which may have a material impact on the Company and would need to be adopted by a special resolution.
13. Article 79 of the existing Articles of Association shall be deleted in its entirety and be replaced by the following:

Shareholders calling for a general meeting of shareholders or a class meeting shall follow the following procedures:

- (1) Shareholder(s) severally or jointly holding for more than ninety (90) consecutive days an aggregate of 10 per cent or more of the shares carrying the right to vote at the proposed meeting may sign one or more written request(s) requiring the board of directors to convene a shareholders' general meeting or a class meeting and stating the object of the meeting therein. The board of directors shall as soon as possible proceed to convene the general meeting of shareholders or a class meeting thereof after receiving such request.

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The number of shares held by the above shareholders shall be calculated as at the date of such request, and evidence of holding the Company's shares for more than ninety (90) consecutive days shall be provided to the Company.

- (2) If the board of directors fails to issue a notice of such a meeting within fifteen (15) days from the date of receipt of such request, the supervisory committee shall promptly convene a shareholders' general meeting or a class meeting thereof. If the supervisory committee fails to issue a notice convening such meeting within fifteen (15) days, the shareholders making such request may themselves convene such a meeting by such procedures as similar as possible as that in which shareholders' meetings are to be convened by the board of directors within two (2) months from the date of receipt of such request by the board of directors.

Any expenses reasonably incurred by such shareholders as a result of convening any such meeting due to the failure of the board of directors in convening such meeting shall be repaid to such shareholders by the Company and any sum so repaid shall be offset against any sum owed by the Company to the directors in default.

14. The first paragraph of Article 91 of the existing Articles of Association shall be deleted in its entirety and be replaced by the following:

A written notice of a class meeting shall be given thirty (30) days before the date of the class meeting to notify all shareholders whose names are shown in the share register of the class of the matters to be considered, the date and venue of the class meeting. A shareholder who intends to attend the class meeting shall deliver his written reply concerning his attendance at the class meeting to the Company twenty (20) days before the date of the class meeting.

15. Article 100 of the existing Articles of Association shall be deleted in its entirety and be replaced by the following:

Meetings of the board of directors shall be held at least twice every year and convened by the Chairman of the board of directors. Notice of the meeting shall be served on all directors ten (10) days before the date of the meeting. Upon request of shareholders representing more than one-tenth of the shares carrying the right to vote, or, one-third or more of the directors, the Chairman, the supervisory committee or the general manager, an extraordinary meeting of the board of directors may be convened. The Chairman shall convene and preside at the extraordinary meeting of the board of directors within ten (10) days from the receipt of such request.

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16. Article 108 of the existing Articles of Association shall be deleted in its entirety and be replaced by the following:

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

- (1) to organise and prepare for shareholders' general meetings and meetings of the board of directors of the Company;
 - (2) to keep documents and records of shareholders' general meetings and meetings of the board of directors; to ensure that the Company prepares and delivers those reports and documents required by any competent authorities in accordance with the law, and that persons entitled to receive the Company's records and documents receive such records and documents without delay;
 - (3) to maintain information of the shareholders of the Company and to ensure that the Company's registers of shareholders are properly maintained;
 - (4) to handle information disclosure issues.
17. Article 117 of the existing Articles of Association shall be deleted in its entirety and be replaced by the following:

The supervisory committee shall comprise of representatives of shareholders and representatives of staff and workers of the Company. The proportion of the latter shall not be less than one-third of the supervisory committee. Representatives of shareholders shall be elected or removed by the shareholders at a general meeting. Representatives of staff and workers shall be elected democratically by the staff and workers at a meeting of the representatives of staff and workers, staff and workers' meeting or through other channels. The supervisory committee shall have one chairman who shall be elected by over half the number of all supervisors.

18. Article 119 of the existing Articles of Association shall be deleted in its entirety and be replaced by the following:

Meetings of the supervisory committee shall be held at least once every six months, and shall be convened and presided by the chairman of the supervisory committee. If the chairman cannot or fails to perform his/her duties, the meeting of the supervisory committee shall be convened and presided by one supervisor elected by over half the number of the supervisors. Supervisor(s) may propose to convene extraordinary meetings of the supervisory committee.

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The supervisory committee shall record the decisions on the matters discussed, which shall be signed by supervisors present at the meeting.

19. Article 120 of the existing Articles of Association shall be deleted in its entirety and be replaced by the following:

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

- (1) to examine the Company's financial situation;
- (2) to supervise the performance of duties of the directors, general manager, deputy general managers and other senior management; to propose the dismissal of directors, general manager, deputy general managers and other senior management who have violated any law, administrative regulations, these Articles of Association or resolutions of the shareholders' general meetings;
- (3) to demand a director, general manager, deputy general manager or any other senior management to rectify such breach when the acts of such persons are harmful to the Company's interest;
- (4) to propose the convening of shareholders' general meetings, and to convene and chair the shareholders' general meetings if the board of directors fails to perform this duty as stipulated in these Articles of Association;
- (5) to propose motions to shareholders' general meetings;
- (6) to initiate legal proceedings against any director, general manager, deputy general manager and other senior management in accordance with Article 152 of the Company Law.

Supervisors may attend meetings of the board of directors and question or give advice on the resolutions of the board of directors.

20. Article 122 of the existing Articles of Association shall be deleted in its entirety and be replaced by the following:

The supervisory committee may conduct investigation if they find the operation of the Company unusual; and may engage professionals such as lawyers, certified public accountants or practicing auditors to assist if necessary. All reasonable fees so incurred shall be borne by the Company.

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21. Article 124 of the existing Articles of Association shall be deleted in its entirety and be replaced by the following:

A person may not serve as the director, supervisor, general manager, deputy general manager or any other senior management of the Company under any of the following circumstances:

- (1) a person who has no civil capacity or has restricted civil capacity;
- (2) a person who has committed an offence of corruption, bribery, embezzlement of property, misappropriation of property or sabotaging the order of socialist market economy and has received a criminal sentence because of committing such an offence; or who has been deprived of his political rights because of committing an offence, in each case where less than five (5) years have elapsed since the date of the completion of the execution of his sentence;
- (3) a person who was previously the director, factory manager or manager of a company or enterprise which was insolvent and liquidated and who was personally liable for the insolvency of such company or enterprise, where less than three (3) years have elapsed since the date of the completion of the insolvency and liquidation of such company or enterprise;
- (4) a person who was previously the legal representative of a company or enterprise which had its business licence revoked and was ordered to cease its business due to violation of the law and who was personally liable for the revocation, where less than three (3) years have elapsed since the date of the revocation of the business licence of such company or enterprise;
- (5) a person who has a relatively large amount of debts due and outstanding;
- (6) a person who is under criminal investigation or prosecution by judicial organs for violation of criminal law which is not yet concluded;
- (7) a person who is not eligible for enterprise leadership under the requirements of the laws and administrative regulations;
- (8) not a natural person;
- (9) a person who is convicted of contravention of provisions of relevant securities regulations by a relevant competent authority, and such conviction involves a finding that he has acted fraudulently or dishonestly, where less than five (5) years have elapsed since the date of the conviction.

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Any election, appointment or engagement of a director, supervisor, general manager, deputy general manager or any other senior management in violation of the preceding paragraph shall be invalid.

The Company shall dismiss any director, supervisor, general manager, deputy general manager or any other senior management who falls within any of the circumstances set out in the first paragraph of this Article during his term of office.

22. Article 143 of the existing Articles of Association shall be deleted in its entirety and be replaced by the following:

At the end of each accounting year, the Company shall prepare financial reports which shall be audited by an accounting firm in accordance with the law.

The financial reports shall be prepared in accordance with the laws, administrative regulations and the requirements of the finance department of the State Council.

23. Article 151 of the existing Articles Association shall be deleted in its entirety and be replaced by the following:

The profit after tax of the Company shall be used in the following manners:

- (1) making up for losses;
- (2) allocation to the statutory common reserve fund;
- (3) allocation to the discretionary common reserve fund upon the approval of shareholders at a general meeting;
- (4) payment of dividends in respect of ordinary shares.

The board of directors shall, in accordance with the laws and administrative regulations of the State (if any) and the Company's operation and development requirements, determine the proportions of profit distributions to items (3) and (4) above subject to approval of shareholders at the general meeting.

24. Article 153 of the existing Articles of Association shall be deleted in its entirety and be replaced by the following:

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

- (1) making up for losses;

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- (2) expansion of the production and operation of the Company;
- (3) transfer or increase of capital.

When the Company converts its common reserve fund into capital upon the approval of shareholders at a general meeting, the Company shall either issue new shares to each shareholder in proportion to the number of shares currently held by each shareholder, or increase the par value of each share, provided that the statutory common reserve fund after the conversion may not fall below 25 per cent of the registered capital before such conversion.

The capital common reserve fund may not be used to make up for losses.

25. Article 154 of the existing Articles of Association shall be deleted in its entirety.
26. Article 155 of the existing Articles of Association shall be deleted in its entirety and be replaced by the following:

The Company may not distribute any dividend before making up for its losses and allocating funds to the statutory common reserve fund.

27. Article 171 of the existing Articles of Association shall be deleted in its entirety and be replaced by the following:

The employees of the Company may establish a trade union to carry out trade union activities and protect the legal interests of the employees in accordance with the Trade Union Law of the People's Republic of China. The Company shall provide the trade union with all necessary conditions for its activities and allocate funds to the trade union in accordance with the Trade Union Law of the People's Republic of China. Such fund shall be used by the trade union of the Company in accordance with the "Measures for the Management of Trade Union Funds" formulated by the All China Federation of Trade Unions.

The representatives of the trade union of the Company may, on behalf of the employees of the Company, enter into any collective agreement with the Company in relation to issues including wages, working hours, benefits, insurance, and labor safety and health in accordance with the law. The Company shall seek advice from the trade union before making any material decision on its reform and operation and formulation of regulations and shall convene trade union representatives' meeting or by other means to collect opinions and suggestions of the employees.

According to the Constitution and other relevant laws, the Company exercises democratic management through employees' representatives meeting or other means.

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28. Article 173 of the existing Articles of Association shall be deleted in its entirety and be replaced by the following:

The merger of the Company may be in the form of either acquisition or establishment of a new company.

In the event of a merger of the Company, parties to the merger shall enter into a merger agreement and prepare a balance sheet and a list of assets. The Company shall notify its creditors within ten (10) days from the date of the Company's resolution to merge and shall publish a public notice in a newspaper within thirty (30) days from the date of the Company's resolution to merge. A creditor has the right within thirty (30) days upon receipt of such notice from the Company or, if no notice is received, within forty-five (45) days from the date of the first public notice, to demand the Company to settle the debts owed to it or to provide a corresponding guarantee.

Upon completion of the merger of the Company, debts and indebtedness of parties to the merger shall be assumed by the company surviving the merger or the company newly established for such purpose.

29. Article 174 of the existing Articles of Association shall be deleted in its entirety and be replaced by the following:

In the event of a spin-off of the Company, its assets shall be split accordingly.

In the event of a spin-off of the Company, parties to such spin-off shall enter into a spin-off agreement and prepare a balance sheet and a list of assets. The Company shall notify its creditors within ten (10) days from the date of the Company's resolution in respect of such spin-off and shall publish a public notice in a newspaper within thirty (30) days from the date of the such resolution.

Unless a written agreement has been entered into by the Company and its creditors in relation to the repayment of debts before the spin-off, companies surviving such spin-off shall jointly assume the indebtedness of the Company which has been incurred before such spin-off.

30. Article 176 of the existing Articles of Association shall be deleted in its entirety and be replaced by the following:

The Company shall be dissolved upon the occurrence of any of the following events:

- (1) a resolution for dissolution is passed by the shareholders at a general meeting;
- (2) dissolution is necessary for the purpose of a merger or spin-off of the Company;

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- (3) revocation of business licence of the Company or the Company is ordered to close down or is dissolved in accordance with the law;
 - (4) dissolution by the People’s Court according to Article 183 of the Company Law;
 - (5) the Company is unable to repay its due debts in full and is declared bankrupt in accordance with the law.
31. Article 177 of the existing Articles of Association shall be deleted in its entirety and be replaced by the following:

Where the Company is dissolved under sub-paragraphs (1), (3) and (4) of the preceding Article, a liquidation committee shall be set up within fifteen (15) days from the event of dissolution of the Company to commence the liquidation. The composition of the liquidation committee of the Company shall be determined by the directors or an ordinary resolution of shareholders’ general meeting. If no liquidation committee is set up within the prescribed period to commence the liquidation, creditors may apply to the People’s Court to designate relevant persons to form a liquidation committee in order to carry out the liquidation.

Where the Company is dissolved under sub-paragraph (5) of the preceding Article, the People’s Court shall in accordance with the provisions of the relevant laws organise and establish a liquidation committee to carry out the liquidation.

32. Article 179 of the existing Articles of Association shall be deleted in its entirety and be replaced by the following:

The liquidation committee shall within ten (10) days from its establishment send notice to creditors, and within sixty (60) days from its establishment publish a public notice in a newspaper. A creditor shall within thirty (30) days upon receipt of such notice, or if no notice is received, within forty-five (45) days from the date of the first public notice, declare its creditor’s rights to the liquidation committee.

When declaring creditor’s rights, the creditor shall give details of the creditor’s rights together with the evidence thereof. The liquidation committee shall register creditors’ rights and no settlement can be made to the creditors by the liquidation committee during the period for declaration of creditors’ rights.

(B) PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE COMPANY (DRAFT) AND THE REASON FOR THE AMENDMENTS

An extraordinary general meeting of the Company was held on December 30, 2004, at which the “Articles of Association of Guangshen Railway Company Limited (Draft)” (the “Draft”) was approved. Amendments were made to the Draft at the annual general meeting

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of the Company on 12 May 2005. Pursuant to the newly amended Company Law of the PRC and other requirements, the Company proposes to further amend the Draft as follows:

1. The second paragraph of Article 10 of the Draft shall be deleted in its entirety.
2. Article 28 of the Draft shall be deleted in its entirety and be replaced by the following:

Shares of the Company held by the promoters may not be transferred within one year from the date of the establishment of the Company. Shares of the Company held by the promoters prior to the public offering of shares of the Company may not be transferred within one year of the date on which the shares of the Company are listed on any domestic stock exchange.

Directors, supervisors, managers and other senior management shall report to the Company on a regular basis as to the Company's shares held by them during their terms of office. They may not transfer any shares of the Company held by them during their terms of office and within six months from the termination of their office.

3. Article 30 of the Draft shall be deleted in its entirety and be replaced by the following:

Where a shareholder holding 5 per cent or more of the shares of the Company carrying the right to vote sells the shares held by him within six months from the date of the acquisition of the shares or acquires again any shares of the Company within six months from the date of sale of the shares, the profits arising from such transactions shall belong to the Company.

The provision in the preceding paragraph is applicable to the directors, supervisors, managers and other senior management of the Company or any legal person shareholders holding 5 per cent or more of the shares of the Company carrying the right to vote.

In the event that the board of directors does not execute the first paragraph under this Article, shareholders are entitled to request the board of directors to execute the same within thirty (30) days. In the event that the board of directors does not execute the same within the prescribed period, shareholders are entitled to initiate litigation at the People's Court in his own name for the benefits of the Company.

In the event that the board of directors does not execute the first paragraph under this Article, the responsible directors shall jointly accept the liability in accordance with the law.

In the event that the regulatory authorities at the place of listing of the overseas-listed foreign shares have different requirements, such requirements shall prevail.

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4. Article 33 of the Draft shall be deleted in its entirety and be replaced by the following:

The Company may, with the approval according to the procedures provided in these Articles of Association and subject to the approval of the relevant governing authority of the State, repurchase any of its issued shares under the following circumstances:

- (1) cancellation of shares for capital reduction;
- (2) merging with another company that holds shares of the Company;
- (3) paying shares to its employees as bonus;
- (4) repurchasing, upon request, any shares held by any shareholder who is opposed to the Company's resolution for merger or spin-off at a shareholders' general meeting of the Company.

Any repurchase of shares under items (1) to (3) of the foregoing paragraph shall be approved by shareholders' general meeting of the Company. After repurchase of the shares according to the foregoing paragraph by the Company, the shares repurchased under item (1) shall be cancelled within ten days from the date of the repurchase; and the shares repurchased under items (2) and (4) shall be transferred or cancelled in six months.

The shares repurchased by the Company under item (3) of the first paragraph may not exceed 5 per cent of the total of the Company's issued shares. Such repurchase shall be financed by the Company's profit after tax. The shares so repurchased shall be transferred to the employees within one year.

In the event that the regulatory authorities at the place of listing of the overseas-listed foreign shares have different requirements, such requirements shall prevail.

5. Article 36 of the Draft shall be deleted in its entirety and be replaced by the following:

Shares which shall be cancelled according to the laws, regulations, Articles of Association or resolution of shareholders' general meeting after the repurchase in accordance with the law by the Company, shall be cancelled within the period prescribed by the laws and administrative regulations, and the Company shall apply to the original companies registration authority for registration of the change in its registered capital.

The aggregate par value of those cancelled shares shall be reduced from the amount of the Company's registered capital.

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6. The second paragraph of Article 50 of the Draft shall be deleted in its entirety and be replaced by the following:

If a shareholder of domestic shares loses his share certificate and applies for a replacement new certificate, the Company shall process the application in accordance with Article 144 of the Company Law.

7. Article 60 of the Draft shall be deleted in its entirety and be replaced by the following:

The shareholders' general meeting shall have the following functions and powers:

- (1) to decide on the Company's operational policies and investment plans;
- (2) to elect and replace directors and decide on matters relating to the remuneration of directors;
- (3) to elect and replace the supervisors who are representatives of shareholders and decide on matters relating to the remuneration of supervisors;
- (4) to review and approve reports of the board of directors;
- (5) to review and approve reports of the supervisory committee;
- (6) to review and approve the Company's proposed preliminary and final annual financial budgets;
- (7) to review and approve the Company's profit distribution plans and plans for making up losses;
- (8) to resolve any increase or reduction in the Company's registered capital;
- (9) to resolve matters such as merger, spin-off, dissolution and liquidation of the Company;
- (10) to resolve the issue of debentures by the Company;
- (11) to resolve the appointment, dismissal and disengagement of the accounting firm of the Company;
- (12) to amend these Articles of Association;
- (13) to consider motions proposed by shareholder(s) who represent(s) 3 per cent or more of the total shares of the Company carrying the right to vote;

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- (14) to review and approve the establishment of special committees, including the strategic, audit, nomination, remuneration and examination committees, as proposed by the board of directors;
 - (15) to decide on other matters which require resolutions of the shareholders at a general meeting according to the relevant laws, administrative regulations and provisions of these Articles of Association;
 - (16) to decide on matters which the board of directors may be delegated or authorized to deal with by the shareholders at a general meeting.
8. Article 62 of the Draft shall be deleted in its entirety and be replaced by the following:

Shareholders' general meetings are divided into annual general meetings and extraordinary general meetings. Shareholders' general meetings shall be convened by the board of directors. Annual general meetings shall be held once every year and within six (6) months from the end of the preceding accounting year.

Under any of the following circumstances, the board of directors shall convene an extraordinary general meeting within two (2) months:

- (1) when the number of directors is less than the number of directors required by the Company Law or two-thirds of the number of directors specified in these Articles of Association;
 - (2) when the unrecovered losses of the Company amount to one-third of its total share capital;
 - (3) when the shareholder(s) severally or jointly holding 10 per cent or more of the Company's outstanding shares carrying voting rights request(s) in writing to convene an extraordinary general meeting;
 - (4) when deemed necessary by the board of directors;
 - (5) when requested by the supervisory committee.
9. Article 63 of the Draft shall be deleted in its entirety and be replaced by the following:

When the Company convenes a shareholders' general meeting, a written notice of the meeting shall be given thirty (30) days before the date of the meeting to notify all shareholders whose names are shown in the share register of the matters to be considered and the date and venue of the meeting. A shareholder who intends to attend the meeting shall deliver his written reply concerning the attendance of the meeting to the Company twenty (20) days before the date of the meeting.

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10. Article 64 of the Draft shall be deleted in its entirety and be replaced by the following:

Shareholders who severally or jointly holding more than 3 per cent of the Company's shares, may present an extraordinary proposal in written form to the board of directors ten (10) days before the shareholders' general meeting. The board of directors shall notify other shareholders within two (2) days upon receipt of such extraordinary proposal and present the same to shareholders' general meeting for discussion. The subject of the extraordinary proposal shall fall within the functions and powers of a shareholders' general meeting, and shall have a clear topic for discussion and specific matters for resolution.

11. The second paragraph of Article 65 of the Draft shall be deleted in its entirety and be replaced by the following:

A shareholders' general meeting shall not resolve any matter not stated in the notice of such meeting.

12. The second paragraph of Article 67 of the Draft shall be deleted in its entirety and be replaced by the following:

The public notice referred to in the preceding paragraph shall be published in one or more newspapers designated by the securities regulatory authority within the interval between thirty (30) days and forty (40) days before the date of the meeting. After the publication of such notice, all holders of domestic shares shall be deemed to have received the notice of the relevant shareholders' general meeting.

13. The first paragraph of Article 76 of the Draft shall be deleted in its entirety and be replaced by the following:

When shareholders (including their proxies) vote at the shareholders' general meeting, they shall exercise their voting rights according to the number of voting shares that they represent. Each share shall carry one voting right. Any share of the Company held by the Company does not carry any voting right. For appointment of directors and supervisors, however, each share shall carry voting rights equal to the number of directors or supervisors to be appointed. Shareholders' voting rights can be used in a centralised manner to vote in relation to the appointment of one or several directors and supervisors.

14. Article 82 of the Draft shall be deleted in its entirety and be replaced by the following:

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

- (1) the increase or reduction in share capital and the issue of shares of any class, warrants and other similar securities by the Company;

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- (2) the issue of debentures by the Company;
 - (3) the spin-off, merger, dissolution and liquidation of the Company;
 - (4) the amendments to these Articles of Association;
 - (5) the alternation of the form of the Company;
 - (6) any acquisition or disposal within one year of material assets exceeding 30 per cent of the value of the total assets of the Company;
 - (7) any other matters considered by the shareholders' general meeting, by way of an ordinary resolution, to be of a nature which may have a material impact on the Company and which would need to be adopted by a special resolution.
15. Article 85 of the Draft shall be deleted in its entirety and be replaced by the following:

Shareholders calling for a general meeting of shareholders or a class meeting shall follow the following procedures:

- (1) Shareholder(s) severally or jointly holding for more than ninety (90) consecutive days an aggregate of 10 per cent or more of the shares carrying the right to vote at the proposed meeting may sign one or more written request(s) requiring the board of directors to convene a shareholders' general meeting or a class meeting and stating the object of the meeting therein. The board of directors shall as soon as possible proceed to convene the general meeting of shareholders or a class meeting thereof after receiving such request.

The number of shares held by the above shareholders shall be calculated as at the date of such request, and evidence of holding the Company's shares for more than ninety (90) consecutive days shall be provided to the Company.

- (2) If the board of directors fails to issue a notice of such a meeting within fifteen (15) days from the date of receipt of such request, the supervisory committee shall promptly convene a shareholders' general meeting or a class meeting thereof. If the supervisory committee fails to issue a notice convening such meeting within fifteen (15) days, the shareholders making such request may themselves convene such a meeting in a manner as similar as possible as that in which shareholders' meetings are to be convened by the board of directors within two (2) months from the date of receipt of such request by the board of directors.

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Any expenses reasonably incurred by such shareholders as a result of convening any such meeting due to the failure of the board of directors in convening such meeting shall be repaid to such shareholders by the Company and any sum so repaid shall be offset against any sum owed by the Company to the directors in default.

16. The first paragraph of Article 96 of the Draft shall be deleted in its entirety and be replaced by the following:

A written notice of a class meeting shall be given thirty (30) days before the date of the class meeting to notify all shareholders whose names are shown in the share register of the class of the matters to be considered, the date and venue of the class meeting. A shareholder who intends to attend the class meeting shall deliver his written reply concerning his attendance at the class meeting to the Company twenty (20) days before the date of the class meeting.

17. Item 6 of the second paragraph of Article 103 of the Draft shall be deleted in its entirety and be replaced by the following:

(6) persons prescribed by the laws, rules or other regulations.

18. A new paragraph shall be added after the third paragraph of Article 104 of the Draft as follows:

Any director of the Company who has any connection with the subject entities of the resolution of the board of directors, shall not vote on such resolution nor vote as a proxy of other directors. Any such meeting may be held when over half of the directors who are unrelated to the subject entities of the resolution (the "unrelated directors") are present. Other than the special resolution specified in these Articles of Association which shall be approved by two-thirds of the unrelated directors, other resolutions of the board of directors may be approved by over half the number of unrelated directors. Where the number of unrelated directors present at any board meeting is less than three, the resolution shall be approved at shareholders' general meeting of the Company.

19. The second paragraph of Article 106 of the Draft shall be deleted in its entirety and be replaced by the following:

When providing external guarantee, the Company shall comply with the following provisions:

- (1) the subject of an external guarantee to be provided by the Company shall have an AA grade bank credit rating and shall not have any bad credit record with a bank;
- (2) resolution in respect of the Company's external guarantee shall be passed by more than two-thirds of all directors; those beyond the authority of the board of directors shall be proposed to a shareholders' general meeting for approval;

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- (3) any guarantee to be provided to the shareholders, effective controllers and its connected parties by the Company shall be approved by the shareholders' general meeting;
- (4) no guarantee shall be directly or indirectly provided for the debts of any party whose assets-liability ratio exceeds 70 per cent;
- (5) the total amount of external guarantees shall not exceed 5 per cent of the net assets of the Company as stated in its consolidated financial statements for the latest accounting year;
- (6) the provision of a counter-guarantee shall be requested from the other party in respect of an external guarantee, and the person providing the counter-guarantee shall have actual ability to assume its obligations;
- (7) the Company shall strictly observe the relevant provisions and perform the obligations of information disclosure in respect of the external guarantee in a faithful manner. The Company shall also honestly provide information on all external guarantees to the registered accountant as required by regulations.

The external guarantee that are required to be presented to the shareholders' general meeting for approval must first be approved by resolution at the board of directors' meeting. When the shareholders at the general meeting consider the resolution to provide guarantee to the shareholders, effective controllers or connected parties, such shareholders or other shareholders directed by the effective controllers may not vote on this resolution. Such resolution shall be approved by a majority of other shareholders present at the shareholders' general meeting.

The independent directors of the Company shall make specific statements in respect of the Company's existing and current external guarantees and its compliance with the above provisions in the annual report, and make independent comments.

The board of directors shall limit the authority for making risky investments in the Company's assets, and establish strict review and decision-making procedures. Experts and professionals shall be appointed to evaluate any material investment projects, and shall obtain approval at a shareholders' general meeting.

20. Article 110 of the Draft shall be deleted in its entirety and be replaced by the following:

Meetings of the board of directors shall be held at least twice every year and convened by the Chairman of the board of directors. Notice of the meeting shall be served on all of the directors ten (10) days before the date of the meeting. Upon request of shareholders representing more than one-tenth of the shares carrying the right to vote, or, one-third or more of the directors, the Chairman, the supervisory committee or the general manager, an extraordinary meeting of the board of directors may be convened. The Chairman shall convene and preside at the extraordinary meeting of the board of directors within ten (10) days from the receipt of such request.

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21. Article 118 of the Draft shall be deleted in its entirety and be replaced by the following:

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

- (1) to organise and prepare for shareholders' general meetings and meetings of the board of directors of the Company;
- (2) to keep documents and records of shareholders' general meetings and meetings of the board of directors; to ensure that the Company prepares and delivers those reports and documents required by any competent authorities in accordance with the law, and that persons entitled to receive the Company's records and documents receive such records and documents without delay;
- (3) to maintain information of the shareholders of the Company and to ensure that the Company's registers of shareholders are properly maintained;
- (4) to handle information disclosure issues.

22. Article 127 of the Draft shall be deleted in its entirety and be replaced by the following:

The supervisory committee shall comprise of representatives of shareholders and representatives of staff and workers of the Company. The proportion of the latter shall not be less than one-third of the supervisory committee. Representatives of shareholders shall be elected or removed by the shareholders at a general meeting. Representatives of staff and workers shall be elected democratically by the staff and workers at a meeting of the representatives of staff and workers, staff and workers' meeting or through other channels. The supervisory committee shall have one chairman who shall be elected by over half the number of all supervisors.

23. Article 129 of the Draft shall be deleted in its entirety and be replaced by the following:

Meetings of the supervisory committee shall be held at least once every six months, and shall be convened and presided by the chairman of the supervisory committee. If the chairman cannot or fails to perform his/her duties, the meeting of the supervisory committee shall be convened and presided by one supervisor elected by over half the number of the supervisors. Supervisor(s) may propose to convene extraordinary meetings of the supervisory committee.

The supervisory committee shall record the decisions on the matters discussed, which shall be signed by supervisors present at the meeting.

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24. Article 130 of the Draft shall be deleted in its entirety and be replaced by the following:

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

- (1) to examine the Company's financial situation;
- (2) to supervise the performance of duties of the directors, general manager, deputy general managers and other senior management; to propose the dismissal of directors, general manager, deputy general managers and other senior management who have violated any law, administrative regulations, these Articles of Association or resolutions of the shareholders' general meetings;
- (3) to demand a director, general manager, deputy general manager or any other senior management to rectify such breach when the acts of such persons are harmful to the Company's interest;
- (4) to propose the convening of shareholders' general meetings, and to convene and chair the shareholders' general meetings if the board of directors fails to perform this duty as stipulated in these Articles of Association;
- (5) to propose motions to shareholders' general meetings;
- (6) to initiate legal proceedings against any director, general manager, deputy general manager and other senior management in accordance with Article 152 of the Company Law.

Supervisors may attend meetings of the board of directors and question or give advice on the resolutions of the board of directors.

25. Article 132 of the Draft shall be deleted in its entirety and be replaced by the following:

The supervisory committee may conduct investigation if they find the operation of the Company unusual; and may engage professionals such as lawyers, certified public accountants or practicing auditors to assist if necessary. All reasonable fees so incurred shall be borne by the Company.

26. Article 134 of the Draft shall be deleted in its entirety and be replaced by the following:

A person may not serve as the director, supervisor, general manager, deputy general manager or any other senior management of the Company under any of the following circumstances:

- (1) a person who has no civil capacity or has restricted civil capacity;

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- (2) a person who has committed an offence of corruption, bribery, embezzlement of property, misappropriation of property or sabotaging the order of socialist market economy and has received a criminal sentence because of committing such an offence; or who has been deprived of his political rights because of committing an offence, in each case where less than five (5) years have elapsed since the date of the completion of the execution of his sentence;
- (3) a person who was previously the director, factory manager or manager of a company or enterprise which was insolvent and liquidated and who was personally liable for the insolvency of such company or enterprise, where less than three (3) years have elapsed since the date of the completion of the insolvency and liquidation of such company or enterprise;
- (4) a person who was previously the legal representative of a company or enterprise which had its business licence revoked and was ordered to cease its business due to violation of the law and who was personally liable for the revocation, where less than three (3) years have elapsed since the date of the revocation of the business licence of such company or enterprise;
- (5) a person who has a relatively large amount of debts due and outstanding;
- (6) a person who is under criminal investigation or prosecution by judicial organs for violation of criminal law which is not yet concluded;
- (7) a person who is not eligible for enterprise leadership under the requirements of the laws and administrative regulations;
- (8) not a natural person;
- (9) a person who is convicted of contravention of provisions of relevant securities regulations by a relevant competent authority, and such conviction involves a finding that he has acted fraudulently or dishonestly, where less than five (5) years have elapsed since the date of the conviction.

Any election, appointment or engagement of a director, supervisor, general manager, deputy general manager or any other senior management in violation of the preceding paragraph shall be invalid.

The Company shall dismiss any director, supervisor, general manager, deputy general manager or any other senior management who falls within any of the circumstances set out in the first paragraph of this Article during his term of office.

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27. Article 152 of the Draft shall be deleted in its entirety and be replaced by the following:

When any scenario set out in Article 147 of the Company Law appears in an incumbent director and where the director is prohibited from participating in the securities market by the China Securities Regulatory Commission, the board of directors shall immediately suspend the relevant director's duties from the date on which the board of directors becomes aware of the occurrence of such event and shall propose to the shareholders' general meeting to dismiss such director.

When any scenario set out in Article 147 of the Company Law appears in an incumbent supervisor and where the supervisor is prohibited from participating in the securities market by the China Securities Regulatory Commission, the supervisory committee shall immediately suspend the relevant supervisor's duties from the date on which the supervisory committee becomes aware of the occurrence of such event and shall propose to the shareholders' general meeting to dismiss such supervisor.

When any scenario set out in Article 147 of the Company Law appears in an incumbent manager and where the manager is prohibited from participating in the securities market by the China Securities Regulatory Commission, the board of directors shall immediately suspend the relevant manager's duties from the date on which the board of directors becomes aware of the occurrence of such event and shall convene a board meeting to dismiss such manager.

28. Article 154 of the Draft shall be deleted in its entirety and be replaced by the following:

At the end of each accounting year, the Company shall prepare financial reports which shall be audited by an accounting firm in accordance with the law.

The financial reports shall be prepared in accordance with the laws, administrative regulations and the requirements of the finance department of the State Council.

29. Article 162 of the Draft shall be deleted in its entirety and be replaced by the following:

The profit after tax of the Company shall be used in the following manners:

- (1) making up for losses;
- (2) allocation to the statutory common reserve fund;
- (3) allocation to the discretionary common reserve fund upon the approval of shareholders at a general meeting;
- (4) payment of dividends in respect of ordinary shares.

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The board of directors shall, in accordance with the laws and administrative regulations of the State (if any) and the Company's operation and development requirements, determine the proportions of profit distributions to items (3) and (4) above subject to approval of shareholders at a general meeting.

30. Article 164 of the Draft shall be deleted in its entirety and be replaced by the following:

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

- (1) making up for losses;
- (2) expansion of the production and operation of the Company;
- (3) transfer or increase of capital.

When the Company converts its common reserve fund into capital upon the approval of shareholders at a general meeting, the Company shall either issue new shares to each shareholder in proportion to the number of shares currently held by each shareholder, or increase the par value of each share, provided that the statutory common reserve fund after the conversion may not fall below 25 per cent of the registered capital before such conversion.

The capital common reserve fund may not be used to make up for losses.

31. Article 165 of the Draft shall be deleted in its entirety.

32. Article 166 of the Draft shall be deleted in its entirety and be replaced by the following:

The Company may not distribute any dividend before making up for its losses and allocating funds to the statutory common reserve fund.

33. Article 182 of the Draft shall be deleted in its entirety and be replaced by the following:

The employees of the Company may establish a trade union to carry out trade union activities and protect the legal interests of the employees in accordance with the Trade Union Law of the People's Republic of China. The Company shall provide the trade union with all necessary conditions for its activities and allocate funds to the trade union in accordance with the Trade Union Law of the People's Republic of China. Such fund shall be used by the trade union of the Company in accordance with the "Measures for the Management of Trade Union Funds" formulated by the All China Federation of Trade Unions.

The representatives of the trade union of the Company may, on behalf of the employees of the Company, enter into any collective agreement with the Company in relation to

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issues including wages, working hours, benefits, insurance, and labor safety and health in accordance with the law. The Company shall seek advice from the trade union before making any material decision on its reform and operation and formulation of regulations and shall convene trade union representatives' meeting or by other means to collect opinions and suggestions of the employees.

According to the Constitution and other relevant laws, the Company exercises democratic management through employees' representatives meeting or other means.

34. Article 184 of the Draft shall be deleted in its entirety and be replaced by the following:

The merger of the Company may be in the form of either acquisition or establishment of a new company.

In the event of a merger of the Company, parties to the merger shall enter into a merger agreement and prepare a balance sheet and a list of assets. The Company shall notify its creditors within ten (10) days from the date of the Company's resolution to merge and shall publish a public notice in a newspaper within thirty (30) days from the date of the Company's resolution to merge. A creditor has the right within thirty (30) days upon receipt of such notice from the Company or, if no notice is received, within forty-five (45) days from the date of the first public notice, to demand the Company to settle the debts owed to it or to provide a corresponding guarantee.

Upon completion of the merger of the Company, debts and indebtedness of parties to the merger shall be assumed by the company surviving the merger or the company newly established for such purpose.

35. Article 185 of the Draft shall be deleted in its entirety and be replaced by the following:

In the event of a spin-off of the Company, its assets shall be split accordingly.

In the event of a spin-off of the Company, parties to such spin-off shall enter into a spin-off agreement and prepare a balance sheet and a list of assets. The Company shall notify its creditors within ten (10) days from the date of the Company's resolution in respect of such spin-off and shall publish a public notice in a newspaper within thirty (30) days from the date of the such resolution.

Unless a written agreement has been entered into by the Company and its creditors in relation to the repayment of debts before the spin-off, companies surviving such spin-off shall jointly assume the indebtedness of the Company which has been incurred before such spin-off.

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36. Article 187 of the Draft shall be deleted in its entirety and be replaced by the following:

The Company shall be dissolved upon the occurrence of any of the following events:

- (1) a resolution for dissolution is passed by the shareholders at a general meeting;
- (2) dissolution is necessary for the purpose of a merger or spin-off of the Company;
- (3) revocation of business licence of the Company or the Company is ordered to close down or is dissolved in accordance with the law;
- (4) dissolution by the People's Court according to Article 183 of the Company Law;
- (5) the Company is unable to repay its due debts in full and is declared bankrupt in accordance with the law.

37. Article 188 of the Draft shall be deleted in its entirety and be replaced by the following:

Where the Company is dissolved under sub-paragraphs (1), (3) and (4) of the preceding Article, a liquidation committee shall be set up within fifteen (15) days from the event of dissolution of the Company to commence the liquidation. The composition of the liquidation committee of the Company shall be determined by the directors or an ordinary resolution of shareholders' general meeting. If no liquidation committee is set up within the prescribed period to commence the liquidation, creditors may apply to the People's Court to designate relevant persons to form a liquidation committee in order to carry out the liquidation.

Where the Company is dissolved under sub-paragraph (5) of the preceding Article, the People's Court shall in accordance with the provisions of the relevant laws establish a liquidation committee to carry out the liquidation.

38. Article 190 of the Draft shall be deleted in its entirety and be replaced by the following:

The liquidation committee shall within ten (10) days from its establishment send notice to creditors, and within sixty (60) days from its establishment publish a public notice in a newspaper. A creditor shall within thirty (30) days upon receipt of such notice, or if no notice is received, within forty-five (45) days from the date of the first public notice, declare its creditor's rights to the liquidation committee.

When declaring creditor's rights, the creditor shall give details of the creditor's rights together with the evidence thereof. The liquidation committee shall register creditors' rights and no settlement can be made to the creditors by the liquidation committee during the period for declaration of creditors' rights.