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**APPENDIX VIII:****SUMMARY OF ARTICLES OF ASSOCIATION**

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The principal objective of this Appendix is to provide an overview of the Articles of Association. As the information contained below is a summary form, it does not contain all the information that may be important.

**1 DIRECTORS AND BOARD OF DIRECTORS**

(a) Power to allot and issue shares

There is no provision in the Articles of Association empowering the Board to allot or issue shares. In order to allot or issue shares, the Board shall prepare a proposal for approval by shareholders in general meeting by way of special resolution. Any such allotment or issue must be conducted in accordance with the procedures stipulated by relevant laws and administrative regulations.

(b) Power to dispose of the Company's or any of its subsidiaries' assets

The Board shall not, without the approval of the Shareholders in general meeting, dispose or agree to dispose of any fixed assets of the Company where the aggregate of: (i) the value of the consideration for the proposed disposition; and (ii) where any fixed assets of the Company have been disposed of in the period of four months immediately preceding the proposed disposition, the amount or value of the consideration for any such disposition, exceeds 33% of the value of the Company's fixed assets as shown in the last audited balance sheet placed before the Shareholders in general meeting. For the purposes of this provision, disposition includes an act involving a transfer of an interest in property other than by way of security.

The validity of a transaction for the disposition of fixed assets by the Company shall not be affected by a breach of the above-mentioned restriction contained in the Articles of Association.

(c) Compensation or payments for loss of office

In the contract for emoluments entered into by the Company with a Director or Supervisor: when the Company is acquired, provisions shall be made for the right of the Director or Supervisor to receive, after obtaining the prior consent of the Shareholders in general meeting, payments by way of compensation for loss of office or for his retirement from office. Such contract of emoluments shall make provision for the right of a Director or Supervisor, in connection with the takeover of the Company, subject to the approval of the Shareholders in a general meeting, to receive compensation or other payment for loss of office or for his retirement for office. A takeover of the Company means:

- (i) an offer made to all shareholders of the Company; or
- (ii) an offer is made such that the offeror will become the controlling shareholder of the Company (as defined in the Articles of Association).

If the relevant Director or Supervisor does not comply with above provisions, any sum received by the Director or Supervisor on account of the payment shall belong to those persons who have sold their shares as a result of the offer, and the expenses incurred by the Director or Supervisor in distributing that sum pro rata among those persons shall be borne by him and not deducted from the sum distributed.

(d) Loans to Directors, Supervisors and other officers

The Company is prohibited from directly or indirectly making any loan or guarantee to its Directors, Supervisors, president, or other senior officers or the directors, supervisors, president, or other senior officers of its holding company. The Company is also prohibited from, providing any loan or guarantee in connection with a loan made by any connected person to such a director, supervisor, president, or other senior officer.

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A loan made by the Company in breach of the prohibition described above shall be forthwith repayable by the recipient of the loan regardless of the terms of the loan. A guarantee for a loan provided by the Company in breach of the prohibition referred to above shall be unenforceable against the Company unless:

- (i) the guarantee was provided in connection with a loan to a person connected with a Director, Supervisor, president, or other senior officer of the Company or its holding company and at the time the loan was advanced the lender did not know of the relevant circumstances, or
- (ii) the collateral provided by the Company has been lawfully disposed of by the lender to a bona fide purchaser.

The following transactions are not subject to the foregoing prohibition:

- (i) the provision of a loan or a guarantee for a loan by the Company to a company which is a subsidiary of the Company;
- (ii) the provision of a loan or a guarantee for a loan or any other funds by the Company to any of its Directors, Supervisors, president, or other senior officer to meet expenditure incurred or to be incurred by him for the purposes of the Company or for the purpose of enabling him to perform his duties properly, in accordance with the terms of an employment contract approved by the shareholders' general meeting; and
- (iii) the Company may make a loan to or provide a guarantee in connection with a loan by another person to any of its Directors, Supervisors, president, or other senior officers or other connected persons where the ordinary course of its business includes the making of loans or the giving of guarantees and provided that the making of such loans or the giving of such guarantees is on normal commercial terms.

For these purposes, guarantee includes an undertaking or property provided to secure the performance of obligations by the obligor.

- (e) Giving of financial assistance to purchase the shares of the Company or any of its subsidiaries

Subject to the Articles of Association:

- (i) neither the Company nor any of its subsidiaries shall at any time or in any manner provide financial assistance to a person who acquires or is proposing to acquire shares in the Company. The said person includes any person who has directly or indirectly incurred a liability as a result of the acquisition of shares in the Company; and
- (ii) neither the Company nor any of its subsidiaries shall at any time or in any manner provide financial assistance to the person mentioned in the foregoing paragraph for the purposes of reducing or discharging his liabilities.

The following transactions are not prohibited:

- (i) the provision of financial assistance where the Company's principal purpose for giving that assistance is genuinely in the interests of the Company and not for the purpose of acquiring the Company's shares or the provision of such assistance is incidental to some broader objective of the Company;
- (ii) a distribution of the Company's assets by way of dividend lawfully declared;
- (iii) a distribution of dividends by way of bonus shares;

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- (iv) a reduction of share capital, repurchase of shares of the Company or a reorganization of the share capital effected in compliance with the Articles of Association;
- (v) the provision of loans by the Company in the ordinary course of its business, provided that the Company’s net assets are not thereby reduced or, to the extent that those assets are reduced, the assistance is provided out of distributable profits; and
- (vi) the Company’s contribution to employees’ share schemes provided that the Company’s net assets are not thereby reduced or, to the extent that those assets are thereby reduced, the assistance is provided out of distributable profits.

For these purposes,

- (i) “financial assistance” includes, without limitation to:
    - (aa) assistance given by way of gift;
    - (bb) assistance given by way of guarantee (including the provision of any undertaking or property to secure the performance of obligations by the obligor) or indemnity, (other than an indemnity in respect of the Company’s own default) or by way of release or waiver;
    - (cc) assistance given by way of a loan; or entering into an agreement under which the Company needs to perform its obligations ahead of the other contracting parties; or entering into an agreement for the change of contracting parties or the assignment of rights arising under such loan or such agreement; or
    - (dd) assistance given by the Company in any other manner when the Company is insolvent or has no net assets or where its net assets would thereby be reduced to a material extent; and
  - (ii) “incurring a liability” includes incurring a liability by making an agreement or arrangement (whether enforceable or unenforceable, and whether made on one’s own account or on the account of any other person) or by changing one’s financial position by any other means.
- (f) Disclosure of interests in and voting on contracts with the Company or any of its subsidiaries

Where a Director, Supervisor, president, or other senior officer is in any way, directly or indirectly, materially interested in a contract, transaction or arrangement or proposed contract, transaction or arrangement with the Company other than his contract of service, he shall declare the nature and extent of his interest to the Board at the earliest opportunity, whether or not the contract, transaction or arrangement or proposal is otherwise subject to the approval of the Board of Directors.

Unless the interested Director or Supervisor, president, or other senior officer has disclosed his interest in accordance with the Articles of Association and the contract, transaction or arrangement has been approved by the Board of Directors at a meeting at which the interested Director, Supervisor, president, or other senior officer is not counted in the quorum and has refrained from voting, such contract, transaction or arrangement in which a Director, Supervisor, president, or other senior officer is materially interested can be rescinded at the Company’s option provided that such rescission will not affect the validity of such contract, transaction or arrangement as against a bona fide party thereto acting in good faith. For these purposes, a Director, Supervisor or president, or other senior officer is deemed to be interested in a contract, transaction or arrangement in which a person connected to him is interested.

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Where a Director, Supervisor, president, or other senior officer of the Company gives the Board a general notice in writing stating that, by reason of the facts stated in the notice, he is interested in contracts, transactions or arrangements of any description which may subsequently be entered into by the Company, then he shall be deemed to have made a disclosure for the purposes of the relevant provisions in the Articles of Association so far as the content stated in such notice is concerned, if such notice shall have been given before the date on which the question of entering into the relevant contract, transaction or arrangement is first taken into consideration by the Company.

(g) Remuneration

The Company shall, with the prior approval of the Shareholders in general meeting, enter into a contract in writing with each Director or Supervisor for emoluments in respect of their services. The Directors or Supervisors have no power under the Articles of Association to determine the remuneration for themselves. The said emoluments include:

- (i) emoluments in respect of their services as Director, Supervisor or senior officer of the Company;
- (ii) emoluments in respect of their services as Director, Supervisor or senior officer of any subsidiary of the Company;
- (iii) emoluments otherwise in connection with services for the management of the Company or any subsidiary thereof; and
- (iv) payments by way of compensation for loss of office, or in connection with their retirement from office.

Except under a contract entered into in relation to the above, no proceedings shall be brought by a Director or Supervisor against the Company for anything due to him in respect of the matters specified above.

(h) Retirement, appointment and removal

The following persons may not serve as a Director, Supervisor, president, or other senior officer of the Company:

- (i) an individual who has no civil capacity or has restricted civil capacity;
- (ii) persons who have committed the offences of corruption, bribery, trespass of property, misappropriation of property or damaging the social economic order, and have been penalized due to the above offences, where less than five years have elapsed since the date of the completion of implementation of the penalty or persons who have committed crimes and have been deprived of their political rights due to such crimes, where less than five years have elapsed since the date of the completion of the implementation of such deprivation;
- (iii) persons who were former directors, factory chiefs or managers of a company or enterprise which has become insolvent and has been liquidated as a result of mismanagement and were personally liable for the insolvency of such company or enterprise, where less than three years have elapsed since the date of the completion of the insolvency and liquidation of such company or enterprise;
- (iv) persons who were legal representatives of a company or enterprise which had its business license revoked due to a violation of the law and who were personally liable, where less than three years have elapsed since the date of the revocation of such business license;

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- (v) persons who have failed to pay a relatively large debt when due and outstanding;
- (vi) persons who have committed criminal offences and are still under investigation by judicial authorities;
- (vii) persons who have been given a punishment of prohibition for entering the security market from the CSRC and the term of such punishment has not expired;
- (viii) persons who have been convicted of offences of violating provisions of the relevant securities laws and regulations or offences of fraud or acting in bad faith, where less than 5 years have lapsed since the date of conviction;
- (ix) persons who are not natural persons; and
- (x) other persons stipulated by laws, administrative regulations, department regulations and the regulations promulgated by the security supervisory authority or stock exchange where the Company’s shares are listed.

The validity of the conduct of Directors, president, or other senior officers who have acted on behalf of the Company with respect to third parties who have acted in good faith shall not be affected due to any irregularity in the employment, election or qualification of such Directors, president, or other senior officers.

The Board of Directors shall consist of nine Directors. The Directors shall be elected at the Shareholders’ general meetings. A Director is not required to hold any shares in the Company.

The president or other senior officers may serve concurrently as a Director of the Company, provided, however, the number of the Directors that serve concurrently as the president or other senior officers of the Company shall not exceed half of the total number of the Directors of the Company.

The chairman of the Board of Directors shall be elected or removed by more than one half of all of the Directors. A Director (without prejudice to any claim for damages under any contract) may be removed by ordinary resolution at a Shareholders’ general meeting.

The term of office of the chairman and other Directors shall be three years commencing from their appointment and ending on the expiry of the term of the current session of the Board and is renewable upon re-election.

The minimum length of the period for giving written notice of the intention to nominate a person for election as a Director and of his willingness to be elected shall be at least seven days. The period for giving such written notice shall commence after the date the Company gives notice of the general meeting by post, and shall end not later than seven (7) days before the date of the general meeting.

The list of directors’ and supervisors’ candidates shall be proposed in the form of a motion to the Shareholders’ general meeting for resolution.

At the time of voting for the election of Directors or Supervisors at a Shareholders’ general meeting, the cumulative voting system may be implemented pursuant to the Articles of Association or based on the resolutions adopted at a Shareholders’ general meeting.

For the purposes of the preceding paragraph, the term “cumulative voting system” means that at the time of voting for the election of directors or supervisors at a Shareholders’ general meeting, each share shall carry the same number of voting rights as the number of director’s or supervisor’s candidates. The voting rights of a Shareholder may be exercised on a collective basis. The Board shall

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make a public announcement on the biographies and general information of the directors' and supervisors' candidates.

(i) Borrowing powers

Under the circumstance of compliance with the laws and administrative regulations of the State, the Company is entitled to raise capital and borrow money, including (without limitation) the issue of bonds, the mortgaging or pledging of part or whole of the Company's properties and other rights permitted by the laws and administrative regulations of the State provided that such action does not damage or abrogate rights of any shareholder.

The Articles of Association do not contain any special provision in respect of the manner in which borrowing powers may be exercised by the Directors nor do they contain any special provision in respect of the manner in which such power may be raised, other than: (a) provisions which give the Directors the power to formulate proposals for the issuance of debentures by the Company; and (b) provisions which provide that the issuance of debentures must be approved by the Shareholders of the Company in a general meeting by way of a special resolution.

(j) Liabilities

The Directors, Supervisors, president, and other senior officers of the Company owe fiduciary duties and duties of diligence to the Company. In addition to any rights and remedies provided in relevant laws and administrative regulations, the Company is entitled to adopt the following measures where a Director, Supervisor, president, or other senior officer is in breach of his duties owed to the Company:

- (i) to claim against such a Director, Supervisor, president or other senior officer for losses incurred by the Company as a result of his breach;
- (ii) to rescind any contract or transaction entered into between the Company and the Director, Supervisor, president or other senior officer and a third party where such third party has knowledge or should have had knowledge of the breach of duty;
- (iii) to account for the profits made by the Director, Supervisor, president or other senior officer as a result of his breach;
- (iv) to recover any monies received by the Director, Supervisor, president or other senior officer which should have been received by the Company, including, without limitation, commissions;
- (v) to demand the return of the interest earned or which may have been earned on any monies referred to in (iv) above by the Director, Supervisor, president or other senior officer which should have been received by the Company; and
- (vi) to supplement legal procedures to give the judgement that the interest of a Director, Supervisor, president or other senior officer earned through his breach of duty should belong to the Company.

The Board shall carry out its duties in compliance with the laws and administrative regulations, the Articles of Association and resolutions of the Shareholders' general meetings. Each Director, Supervisor, president, and other senior officer of the Company should abide by his fiduciary principles in the discharge of his duties, and not to place himself in a position where his duty and his own interests may conflict. Such principles include (but are not limited to) the performance of the following:

- (i) to act honestly in what he considers to be in the best interest of the Company;

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- (ii) to exercise his powers within the scope specified and not to act ultra vires;
- (iii) to exercise the discretion vested in him personally and not allow himself to act under the direction of another and, unless and to the extent permitted by law or by the Shareholders, having been informed of the relevant facts, at a general meeting, not to delegate the exercise of his discretion;
- (iv) to treat the Shareholders of the same class equally and to treat the Shareholders of different classes fairly;
- (v) except in accordance with the Articles of Association or with the informed consent of the Shareholders in general meeting, not to enter into any contract, transaction or arrangement with the Company;
- (vi) not without the approval of the Shareholders, having been informed of the relevant facts, at a general meeting, to use the Company's assets for his personal benefit;
- (vii) not to use his position to accept bribes or other illegal income and not to expropriate in any manner the Company's assets, including (without limitation) opportunities beneficial to the Company;
- (viii) not without the informed consent of the Shareholders in general meeting, to accept commissions in connection with the Company's transactions;
- (ix) to abide by the Articles of Association, faithfully perform his duties and protect the interests of the Company, and not to use his position and powers in the Company for personal benefit;
- (x) not to compete with the Company in any way except with the informed consent of the Shareholders given in general meeting;
- (xi) not to misappropriate the Company's funds, not to open any bank account in his own name or other name for the deposit of the Company's assets;
- (xii) not in breach of the Articles of Association and without the consent of the Board of Directors or the Shareholders' general meeting, to lend the Company's funds to any person or to provide security for debt of a Shareholder of the Company or any other individuals;
- (xiii) not to take advantage of his position as a connected party to impair the Company's interests; and
- (xiv) without the informed consent of the Shareholders in general meeting, not to disclose confidential information of the Company acquired while in office and not to use such information other than in furtherance of the interests of the Company, save and except that disclosure of information to a court or a governmental authority is permitted where (i) the disclosure is compulsory in accordance with the relevant laws; (ii) there is a duty to the public to disclose; or (iii) the personal interests of the Director, Supervisor, president or other senior officer require the disclosure.

A Director, Supervisor, president, or other senior officer of the Company shall not direct persons connected to him to do what he is not permitted to do. A person is connected to a Director, Supervisor, president, or other senior officer if he is:

- (i) the spouse or minor child of such a Director, Supervisor, president, or other senior officer;
- (ii) a trustee for such a Director, Supervisor, president, or other senior officer or any person referred to in (i) above;

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- (iii) a partner of such a Director, Supervisor, president, or other senior officer or of any person referred to in (i) and (ii);
- (iv) a company in which that a Director, Supervisor, president, or other senior officer, alone or jointly with one or more persons referred to in above (i), (ii) and (iii) or with any of other Directors, Supervisors, president, or other senior officers of the Company, have de facto control; or
- (v) a Director, Supervisor, president, or other senior officer of a company referred to in (iv) above.

The fiduciary duties of a Director, Supervisor, president, and other senior officer of the Company do not necessarily cease with the termination of his tenure. The duty of confidentiality in relation to trade secrets of the Company survives the termination of his term of office. Other duties may continue for such period as fairness may require depending on the time lapse between the termination of his term of office and the occurrence of the matter in question and the circumstances and the terms under which the relationships between him and the Company are terminated.

Except in circumstances referred to in the Articles of Association, liabilities of a Director, Supervisor, president, or other senior officer arising from the violation of a specified duty may be released by informed shareholders in general meeting.

In addition to obligations imposed by relevant laws, administrative regulations or the listing rules of the securities exchange on which the Company's shares are listed, Directors, Supervisors, president, and other senior officers in the exercise of their powers and the discharge of their duties shall owe the following obligations to the Shareholders:

- (i) not to cause the Company to go beyond the business scope specified by its business license;
- (ii) to act honestly in what they consider to be the best interest of the Company;
- (iii) not to deprive in any way the Company of its assets, including (but not limited to) opportunities beneficial to the Company; and
- (iv) not to deprive shareholders of their personal rights and interests, including (but not limited to) rights to distributions and to vote, except in a Company reorganization submitted in accordance with the provisions of the Articles of Association and adopted at a Shareholders' general meetings.

Each of the Directors, Supervisors, president, and other senior officers of the Company owes a duty, in the exercise of his powers and discharge of his duties, to exercise the care, diligence and skill that a reasonably prudent person would exercise under the similar circumstances.

Where the Company incurs losses as a result of a Director or senior officer having violated any provision of law, administrative regulation or the Articles of Association in the course of performing their duties with the Company, Shareholders alone or in aggregate holding 1% or more of the Company's shares for one hundred and eighty (180) consecutive days or more shall be entitled to request in writing the supervisory committee to initiate proceedings in a court; where the Company incurs losses as a result of the supervisory committee having violated any provision of law, administrative regulation or the Articles of Association in the course of performing its duties with the Company, shareholders may request the Board in writing to initiate proceedings in a court.

If the Supervisory Committee or the Board refuses to initiate proceedings upon receipt of the written request of shareholders set forth in the preceding paragraph, or fails to initiate such proceedings within thirty (30) days from the date on which such request is received, or in case of emergency where



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failure to initiate such proceedings will immediately result in irreparable damage to the Company’s interests, Shareholders described in the preceding paragraph shall have the right to initiate proceedings in a court directly in their own name in the interests of the Company.

Shareholders provided for in the first paragraph of this Articles of Association may also initiate proceedings in a court in accordance with the preceding two paragraphs in the event that the lawful interests of the Company is infringed upon by a third party and that the Company suffers from losses accordingly.

Shareholders may initiate proceedings in a court if a Director or senior officer has breached the laws, administrative regulations or the Articles of Association resulting in impairing the interests of the Shareholders.

**2 ALTERATIONS TO CONSTITUTIONAL DOCUMENTS**

The Company may, in accordance with provisions contained in relevant laws, administrative regulations and the Articles of Association, amend its Articles of Association.

The amendments to the Articles of Association involving the contents of the Mandatory Provisions shall become effective upon approvals by the company approval authorities of the State Council and the securities regulatory authority of the State Council. If there is any change relating to the registered particulars of the Company, application shall be made for registration of the changes in accordance with law.

**3 VARIATION OF RIGHTS OF EXISTING SHARES OR CLASSES OF SHARES**

The Company may not vary or abrogate rights attached to any class of shares (“Class Rights”) unless approved by a special resolution of shareholders in general meeting and by holders of shares of that class at a separate meeting conducted in accordance with the provisions of the Articles of Association. The following circumstances shall be deemed to be a variation or abrogation of the Class Rights of a class:

- (i) to increase or decrease the number of shares of such class, or increase or decrease the number of shares of a class having voting or distribution rights or other privileges equal or superior to the shares of such class, except for where holders of our Domestic Shares transfer their Shares to overseas investors, and such transferred shares may be listed or traded on an overseas stock exchange, subject to the approval of the securities authority of the State Council;
- (ii) to effect an exchange of all or part of the shares of such class into those of another class or to affect an exchange or create a right of exchange of all or part of the shares of another class into the shares of such class, except for where holders of our Domestic Shares transfer their Shares to overseas investors, and such transferred shares may be listed or traded on an overseas stock exchange, subject to the approval of the securities authority of the State Council;
- (iii) to remove or reduce rights to accrued dividends or rights to cumulative dividends of such class;
- (iv) to reduce or remove a dividend preference or a liquidation preference attached to shares of such class;
- (v) to add, remove or reduce conversion, options, voting, transfer or pre-emptive rights or rights to acquire securities of the Company of such class;
- (vi) to remove or reduce rights to receive payments from the Company in any particular currency;
- (vii) to create a new class of shares having voting or distribution rights or privileges equal or superior to the shares of such class;
- (viii) to restrict the transfer of ownership of the shares of such class or to increase any such restrictions;

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- (ix) to allot and issue rights to subscribe for, or convert into, shares in the Company of such class or another class;
- (x) to increase the rights or privileges of another class;
- (xi) to restructure the Company where the proposed restructuring will result in different classes of shareholders bearing a disproportionate burden of such proposed restructuring; and
- (xii) to vary or abrogate the provisions in the Articles of Association.

Shareholders of the affected class, whether or not having the right to vote at general meetings, shall nevertheless have the right to vote at class meetings in respect of matters concerning paragraphs (ii) to (viii), (xi) and (xii) above, but Interested Shareholder(s) (as defined below) shall not be entitled to vote at class meetings.

Resolutions of a class of shareholders shall require the approval of shareholders present representing more than two thirds of the voting rights of that class voting in favor of such resolutions.

Written notice of a class meeting shall be given by the Company forty-five (45) days prior to the date of the meeting to notify all the registered shareholders holding shares of that class of the matters to be considered at the meeting and the date and place of the meeting. A shareholder who intends to attend the meeting shall deliver a written reply confirming his attendance at the class meeting to the Company twenty (20) days prior to the date of the meeting.

The Company can convene a class shareholders' meeting, if the number of shares of the class carrying voting rights represented by shareholders intending to attend represents more than one half of the total number of such shares of the Company. If not, the Company shall make an announcement, within five days, once again notifying the shareholders of the matters proposed to be considered and the date and place of the meeting. Once an announcement has been so made, the Company may convene the class shareholders' meeting.

Notice of class meetings need only be served on shareholders entitled to vote thereat.

Meetings of any class of shareholders shall be conducted in a similar way as closely as possible to the provisions for general meetings of shareholders set out in the Articles of Association. The provisions of the Articles of Association relating to the conduct of any meeting of shareholders shall apply to any class meeting.

In addition to holders of other class shares, holders of Domestic Shares and overseas-listed foreign-invested shares are deemed to be shareholders of different classes.

Voting by holders of different classes of Shares is not required in the following situations:

- (i) where the Company issues, upon the approval by special resolution of its shareholders in general meeting, either separately or concurrently once every twelve months, not more than 20% of each of its existing issued Domestic Shares;
- (ii) where the Company completes, within fifteen (15) months from the date on which approval is given by the securities regulatory authorities of the State Council, its plan (made at the time of its establishment) to issue Domestic Shares; and
- (iii) where shares of our Company registered on our domestic share register may be transferred to overseas investors, and such transferred shares may be listed or traded on an overseas stock exchange, subject to the approval of the Securities Authority of the State Council.

For the purposes of the class rights provisions of the Articles of Association, an "Interested Shareholder" is:

- (i) in the case of a repurchase of shares by offers to all shareholders or public dealing on a stock exchange, a controlling shareholder within the meaning of the Articles of Association;

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- (ii) in the case of a repurchase of shares by an off-market contract under the Articles of Association, a shareholder to whom the proposed contract is related; or
- (iii) in the case of a restructure of the Company, a shareholder within a class who bears less than a proportionate amount of obligations imposed on the shareholders of that class or who has an interest different from the interest of the other shareholders of that class.

**4 SPECIAL RESOLUTIONS — MAJORITY REQUIRED**

Resolutions of general meetings are divided into ordinary resolutions and special resolutions.

To adopt an ordinary resolution, more than one half of the votes represented by shareholders (including proxies) present at the meeting must be exercised in favor of the resolution.

To adopt a special resolution more than two thirds of the votes represented by the shareholders (including proxies) present at the shareholders' general meeting must be exercised in favor of the resolution.

**5 VOTING RIGHTS (GENERALLY ON A POLL AND RIGHT TO DEMAND A POLL)**

The ordinary shareholders of the Company have the right to attend or appoint a proxy to attend shareholders' general meetings and to vote thereat. Shareholders (including proxies) when voting at a shareholders' general meeting may exercise voting rights in accordance with the number of shares carrying the right to vote and each share shall have one vote.

At any shareholders' meeting, voting shall be on a poll. On a poll taken at a meeting, a shareholder (including his proxy) entitled to two or more votes need not cast all his votes in the same way.

In the case of an equality of votes, the chairman of the meeting shall be entitled to an additional vote.

In addition to the cumulative voting system, voting for all motions proposed to a shareholders' general meeting shall be conducted on an item-by-item basis. If different motions have been proposed for the same matter, voting related thereto shall be conducted based on the chronological order of proposing the motions. Unless a general meeting is suspended or no resolution can be adopted due to force majeure or other special reasons, no motion shall be set aside or rejected for voting at the general meeting.

The same right to vote can only be exercised by electing to vote at the scene, via the Internet or otherwise. If the same right to vote has been exercised twice, the result of the first voting shall prevail.

**6 REQUIREMENTS FOR ANNUAL GENERAL MEETINGS**

A shareholders' general meeting shall either be an annual general meeting or an extraordinary general meeting. Shareholders' general meetings shall be convened by the Board of Directors. Annual general meetings are held once every year within six months after the end of the financial year.

**7 ACCOUNTS AND AUDIT**

- (a) Financial and accounting system

The Company shall establish its financial and accounting systems and internal audit system in accordance with the laws, administrative regulations and the PRC accounting standards formulated by the finance regulatory authority of the State Council.

The Board of Directors of the Company shall place before the shareholders at every annual general meeting such financial reports as are required by the laws, administrative regulations or directives promulgated by competent local governments and supervisory authorities to be prepared by the Company.

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The Company shall not keep any other books of accounts other than those provided by law.

(b) Appointment and removal of accountants

The Company shall appoint an independent firm of accountants which is qualified under the relevant regulations of the State to audit the Company's annual reports and review the Company's other financial reports.

The first accountants firm of the Company may be appointed by the inaugural meeting prior to the first annual general meeting and the accountants firm so appointed shall hold office until the conclusion of the first annual general meeting.

The accountants firm appointed by the Company shall hold office from the conclusion of the annual general meeting of shareholders until the conclusion of the next annual general meeting of shareholders.

The shareholders in general meeting may by ordinary resolution remove an accountants firm before the expiry of its term of office, notwithstanding the stipulations in the contract between the Company and the firm, but without prejudice to the firm's right to claim, if any, for damages in respect of such removal.

The remuneration of an accountants firm or the manner in which such remuneration is determined shall be decided by the shareholders in general meeting.

The Company's appointment of, removal of and non-reappointment of an accountants firm shall be resolved upon by the shareholders in general meeting.

Prior to the removal or the non-renewal of the appointment of the accountants firm, an advance notice of such removal or non-renewal shall be given to the accountants firm and such firm shall have the right to attend and to make representation to the shareholders' general meeting.

Where the accountants firm resigns its post, it shall make clear to the shareholders' general meeting whether there is any impropriety on the part of the Company.

The accountants firm may resign its office by depositing at the Company's legal address a resignation notice which shall become effective on the date of such deposit or on such later date as may be stipulated in such notice. Such notice shall include the following:

- (i) a statement to the effect that there are no circumstances connected with its resignation which it considers should be brought to the notice of the shareholders or creditors of the Company; or
- (ii) a statement of any such circumstances.

Where a notice is deposited under the preceding paragraph, the Company shall within fourteen (14) days send a copy of the notice to the relevant governing authority. If the notice contains a statement under circumstance (ii) of the preceding paragraph, a copy of such statement shall be placed at the Company for shareholders' inspection.

Where the accountants firm's notice of resignation contains a statement of any circumstance which should be brought to the notice of the shareholders or creditors of the Company, it may require the Board of Directors to convene a shareholders' extraordinary general meeting for the purpose of receiving an explanation of the circumstances connected with its resignation.

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**8 NOTICE OF MEETING AND BUSINESS TO BE CONDUCTED THEREAT**

The shareholders' general meeting is the organ of authority of the Company and shall exercise its functions and powers in accordance with law.

The Company shall not enter into any contract with any person other than a Director, Supervisor, president, or other senior officer whereby such person is entrusted with the management of the whole or a material part of any business of the Company without the prior approval of shareholders in general meeting.

Shareholders' general meetings are divided into annual general meetings and extraordinary general meetings. Under any of the following circumstances, the Board shall convene an extraordinary general meeting within two months of the occurrence of any one of the following events:

- (i) 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 the Articles of Association;
- (ii) when the unaccounted losses of the Company amount to one third of its share capital;
- (iii) when shareholders holding 10% or more of the Company's issued and outstanding shares carrying voting rights requests in writing the convening of an extraordinary general meeting;
- (iv) when the board of Directors considers necessary or upon the request of the supervisory committee;
- (v) when 2 or more independent non-executive Directors so request; and
- (vi) other situations stipulated by laws, administrative regulations and AOA.

In the case of (iii) to (v), the matters proposed to be considered at the meeting shall be listed in the agenda of the meeting.

To convene a general meeting, the Company shall give written notices forty-five (45) days before the date of the meeting, informing all registered shareholders of the matters proposed to be considered at the meeting and the date and place of the meeting. Shareholders who will attend the meeting shall return the written replies of attendance to the Company to be received by the Company twenty (20) days before the date of the meeting.

When the Company is to convene an annual general meeting, shareholders holding 3 per cent. or more of shares carrying voting rights shall have the right to put forward new proposals in writing to the Company.

The Company shall calculate, according to the written replies received twenty (20) days before the date of the meeting, the number of shares carry voting rights that the shareholders attending the meeting represent. The Company can convene a shareholders' general meeting if the number of shares carrying voting rights represented by shareholders intending to attend attain more of the one half of total number of shares carrying voting rights. If not, the Company shall make an announcement, within five (5) days, once again notifying the shareholders of the matters proposed to be considered and the date and place of the meeting. Once an announcement has been so made, the Company may convene the general meeting. An extraordinary general meeting may not decide on matters not specified in the notice.

A notice of meeting of shareholders shall be in writing, and:

- (i) specify the time, venue, the date of the meeting;
- (ii) state the matters to be discussed at the meeting;
- (iii) provide such information and explanation as are necessary for the shareholders to exercise an informed judgment on the proposals before them. Without limiting the generality of the foregoing, where a proposal is made to amalgamate the Company with another company, to repurchase shares of the Company, to reorganize the share capital or to restructure the Company in any other way, the terms

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- of the proposed transaction must be provided in detail together with copies of the proposed agreement, if any, and the reasons for and consequences of such proposal must be properly explained;
- (iv) contain a disclosure of the nature and extent, if any, of material interests of any Director, Supervisor, president, or other senior officer in the transaction proposed and the effect of the proposed transaction on them in their capacity as shareholders in so far as it is different from the effect on the interests of other shareholders of the same class;
  - (v) contain the text of any special resolution proposed to be passed at the meeting;
  - (vi) contain conspicuously a statement that a shareholder entitled to attend and vote is entitled to appoint one or more proxies to attend and vote on behalf of him and that a proxy need not be a shareholder;
  - (vii) specify the time and venue for lodging proxy forms for the relevant meeting;
  - (viii) specify the date of the share register listing the shareholders that have the right to attend and vote at the shareholders' meeting; and
  - (ix) specify the name and contact number of the contact person for the meeting.

Notices of shareholders' general meetings shall be served on the shareholders (whether or not they are entitled to vote at the meeting) by personal delivery or prepaid mail to their addresses registered in the register of shareholders. For holders of Domestic Shares, notice of Shareholder's general meeting may be made by way of public announcement.

Public announcement of notices of shareholders' general meetings shall be published in one or more newspapers designated by the securities regulatory authority of the State Council during forty-five (45) days to fifty (50) days prior to the date of the meeting. Upon the publication of announcement, all holders of Domestic Shares shall be deemed to have received notice of the relevant shareholders' meeting. The accidental omission to give notice of a meeting to, or the non receipt of notice of a meeting by, any person entitled to receive notice shall not invalidate the proceedings at that meeting.

Upon issuance of the notice of the shareholders' general meeting, the general meeting shall neither be delayed nor cancelled without proper reasons. Motions listed in such notice shall not be revoked. Once the general meeting is delayed or cancelled, the convenor shall make a public announcement stating the reasons therefor at least two (2) working days prior to the date originally scheduled for convening the meeting.

Shareholders requisitioning an extraordinary general meeting of shareholders or class meeting shall abide by the following procedures:

Shareholder(s) alone or in aggregate holding in aggregate 10% or more of the shares have the right to require the Board to convene a shareholders' extraordinary meeting by a written requisition. Within ten days after receipt the requisition, the Board shall, in accordance with laws, regulations and this Articles of Association, give a written response in respect of whether or not it agrees to convene a shareholders' extraordinary meeting.

If the Board agrees to convene a shareholders' extraordinary meeting, a notice of shareholders' meeting shall be issued within five (5) days after the Board reaches such a resolution.

If the Board refuses to convene a shareholders' extraordinary meeting, or fails to respond within ten (10) days after receipt of the requisition, the shareholder(s) alone or in aggregate holding 10% or more of the shares have the right to propose to the Supervisory Committee by a written requisition that the Supervisory Committee convene a shareholders' extraordinary meeting.

If the Supervisory Committee agrees to convene a shareholders' extraordinary meeting, a notice of shareholders' meeting shall be issued within five (5) days after receipt of the requisition. Failure of the Supervisory

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Committee to issue a notice of general meeting within the stipulated period shall be deemed as failure of the Supervisory Committee to convene and preside over a general meeting, and shareholder(s) alone or in aggregate holding 10% or more of the Company's shares for ninety (90) consecutive days or more shall be entitled to convene and preside over the meeting.

The Supervisory Committee shall have the right to propose the Board to convene an extraordinary shareholders' general meeting and shall submit its proposal thereof to the Board in writing.

If the Supervisory Committee or shareholders determine to convene a shareholders' general meeting by themselves, they shall give a written notice to the Board and file the same with the local office of the CSRC at the place where the Company is located and the stock exchange for record.

Prior to the announcement of the resolutions of the shareholders' general meeting, the shareholding proportion of the convening shareholders shall not be lower than 10%.

The convening shareholder shall submit relevant evidence to the local office of the CSRC at the place where the Company is located and the stock exchange upon the issuance of the notice of shareholders' general meeting and the announcement of the resolutions adopted thereat.

The matters which require the sanction of an ordinary resolution at a shareholders' general meeting shall include:

- (i) the approval of business policy and investment plans of the Company;
- (ii) the election and removal of the members of the Board and members (being the Shareholders' representatives) of the Supervisory Committee, their remuneration and method of payment;
- (iii) the approval of work reports of the Board and the Supervisory Committee;
- (iv) the approval of the annual budget and final financial plan;
- (v) the approval of plans for the distribution of profits and for making up losses;
- (vi) the appointment and dismissal of the accountants of the Company;
- (vii) the approval of the merger, demerger and reorganization of the subsidiaries of the company;
- (viii) the approval of the change in use of proceeds; and
- (ix) save as required by the laws and regulations of the PRC or by the Articles of Association, all other matters other than those required to be adopted by special resolution;

The matters which require the sanction of a special resolution at a shareholders' general meeting include:

- (i) the increase or reduction of registered share capital;
- (ii) the issue of debentures or other securities of the Company or plan for listing;
- (iii) the demerger, merger, termination, liquidation or entity structure of the Company;
- (iv) amendments to the Articles of Association;
- (v) the approval of buying or selling the assets of the Company exceeding 30% of the latest audited total asset value of the Company;
- (vi) the approval of a share incentive scheme; and
- (vii) save as required by the laws and regulations of the PRC or by the Articles of Association, all other important matters which was adopted by ordinary resolution that those required to be adopted by special resolution;

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The Company shall be subject to the approval of the shareholders’ general meeting upon consideration in the event of providing in favour of a third party any of the following security:

- (i) any security that is provided after the total amount of security provided by the Company and its controlling subsidiaries in favour of a third party has reached or exceeded 50% of the latest audited net asset value;
- (ii) any security that is provided after the total amount of security provided by the Company in favour of a third party has reached or exceeded 30% of the latest audited total asset value;
- (iii) any security to be provided in favour of an entity which is subject to a gearing ratio of over 70%;
- (iv) the amount of a single security exceeding 10% of the latest audited net asset value;
- (v) security to be provided in favour of any shareholder, effective controlling person of the Company and its connected parties;
- (vi) any security that is provided after the total amount of security provided has reached or exceeded 50% of the latest audited net asset value and more than 50 million RMB in twelve (12) months continuously; and
- (vii) other security to be subject to the approval of the shareholders’ general meeting by the stock exchange or by the Articles of Association

Where any shareholder is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such shareholder or his proxy in contravention of such requirement or restriction (provided that the Company is informed) shall not be counted.

If a resolution of a shareholders’ general meeting or the Board of the Company is in breach of any law and administrative regulation, the shareholders shall have the right to petition to a court to render the same as invalid.

If the procedures for convening a meeting of, or the method of voting at, a general meeting or the Board are in breach of any law, administrative regulation or these Articles of Association, or the content of a resolution is in breach of the Articles of Association, shareholders may petition to a court to rescind such resolutions within sixty (60) days from the date on which such resolution is passed.

## **9 TRANSFER OF SHARES**

Subject to the approval of the securities authority of the State Council, holders of our Domestic Shares may transfer their Shares to overseas investors, and such transferred shares may be listed or traded on an overseas stock exchange. Any listing or trading of the transferred shares on an overseas stock exchange shall also comply with the regulatory procedures, rules and requirements of such overseas stock exchange.

Shares of the Company held by the promoter are not transferable within one (1) year commencing from the date of establishment of the Company. Shares of the Company that are already in issue prior to its public offering are not transferable within one (1) year commencing from the date on which the shares of the Company were listed and traded on a stock exchange.

The Directors, Supervisors and senior officers of the Company shall report to the Company the number of shares held by them in the Company and the subsequent changes in their shareholdings. The number of shares which a Director, Supervisor or senior officer may transfer every year during his term of office shall not exceed 25% of the total number of the Company’s shares in his or her possession; and shares of the Company in his or her possession are not transferable within one (1) year commencing from the date on which the shares of the Company were listed



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and traded on a stock exchange. Such personnel shall not transfer the Company's shares in their possession within six (6) months after they have terminated their employment with the Company.

Any gains from the sale of shares of the Company by any Company's Director, Supervisor, senior officer or shareholders holding 5% or more of the shares in the Company within six (6) months after purchasing such shares, or thereafter any gains from repurchasing such shares in the Company within six (6) months after the sale thereof, shall be vested in by the Company. The Board of the Company shall forfeit such gains from the abovementioned parties. If the Board of the Company fails to comply with the provision set forth in this paragraph, the responsible director(s) shall be jointly and severally liable therefor in accordance with the law.

If the Board of the Company fails to comply with the provision set forth in the preceding paragraph, a shareholder shall have the right to require the Board to effect the same within thirty (30) days. If the Board fails to do so within the said time limit, a shareholder shall have the right to initiate proceedings in a court directly in his own name in the interests of the Company.

The alteration and rectification of each part of the share register shall be carried out in accordance with the laws of the place where the register is maintained.

No changes in the shareholders' register due to the transfer of shares may be made within thirty (30) days before the date of a general meeting or within five (5) days before the record date for the Company's distribution of dividends.

## **10 POWER OF THE COMPANY TO PURCHASE ITS OWN SHARES**

The Company may, with the approval in accordance with the procedures provided in the Articles of Association and subject to the approval of the relevant governing authorities of the State, repurchase its issued shares in the following circumstances:

- (i) cancellation of its shares for the purpose of reducing its share capital;
- (ii) merging with another company which holds Shares;
- (iii) granting shares as incentive compensation to the staff of the Company;
- (iv) acquiring the shares of shareholders who vote against any resolution adopted at the shareholders' general meeting on the merger or division of the Company; or
- (v) other circumstances permitted by the laws and administrative regulations.

If the Company repurchases its own shares due to items (i) through (iii) of the preceding paragraph, resolutions related thereto shall be adopted at a general meeting of shareholders. If the Company repurchases its own shares in accordance with the preceding paragraph under the circumstances set forth in item (i), the shares so repurchased shall be cancelled within ten days of the repurchase. In the event of the circumstances set forth in items (i) and (iv), the shares so repurchased shall be transferred or cancelled within six months.

If the Company repurchases its own shares in accordance with item (iii) of the preceding paragraph, the shares so repurchased shall not exceed 5% of the total number of shares issued by the Company. The repurchase shall be funded with the post-tax profit of the Company, and the shares so repurchased shall be transferred to the employees within one year.

The Company may, upon the approval of the relevant state governing authorities, repurchase its shares in one of the following ways:

- (i) making a pro rata general offer of repurchase to all its shareholders;
- (ii) repurchasing shares through public dealing on a stock exchange;

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- (iii) repurchasing by an off-market agreement outside a stock exchange.

The Company may, with the prior sanction of shareholders obtained at a shareholder's meeting in accordance with the Articles of Association, repurchase its shares by an off-market contract but the Company may rescind or vary such contract or waive any or part of its rights under a contract so entered into by the Company with the prior approval of shareholders obtained at a shareholder's meeting in the same manner. A contract to repurchase shares as mentioned above includes but is not limited to an agreement to become obliged to repurchase or acquire rights to repurchase shares.

The Company shall not assign a contract to repurchase its shares or any of its rights thereunder.

Unless the Company is in the course of liquidation, it shall comply with the following provisions in relation to repurchase of its issued shares:

- (i) where the Company repurchases its shares at par value, payment shall be made out of the book surplus distributable profits of the Company and out of the proceeds from any issue of new shares made for the purpose of the repurchase;
- (ii) where the Company repurchases its shares at a premium to the par value, payment up to their par value may be made out of the book surplus distributable profits of the Company and the proceeds from any issue of new shares made for the purpose of the repurchase. Payment of the portion in excess of the par value shall be effected as follows:
  - (a) if the Shares being repurchased were issued at par value, payment shall be made out of the book surplus distributable profits of the Company;
  - (b) if the Shares being repurchased were issued at a premium to the par value, payment shall be made out of the book surplus distributable profits of the Company and the proceeds from any issue of new shares made for the purpose of the repurchase, provided that the amount paid out of such proceeds shall neither exceed the aggregate of the premiums received by the Company on the issue of the Shares repurchased nor the current amount of the share premium account or the capital reserve fund account of the Company (including the premiums on the new issues) at the time of the repurchase;
- (iii) where the Company repurchases its shares which it is entitled to repurchase:
  - (a) if repurchased not made through the stock market or by way of tender, the price of the repurchased shares shall be subject to a certain maximum price;
  - (b) if repurchased by way of tendering, the tender offer must be sent to all shareholders and all the shareholders must be treated fairly and equally in this process.
- (iv) payment by the Company for the following purposes shall be made out of the Company's distributable profits:
  - (c) acquisition of rights to repurchase shares;
  - (d) variation of any contract to repurchase shares;
  - (e) release of any of the Company's obligations under a contract to repurchase shares; and
- (v) After the Company's registered capital has been reduced by the aggregate par value of the cancelled shares in accordance with the relevant regulations, the amount deducted from the distributable profits for paying up the par value portion of the repurchased shares shall be transferred to the Company's share premium account or capital reserve fund account.

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Where the Company has the power to purchase for redemption a redeemable share:

- (i) purchase not made through the market or by tender shall be limited to a maximum price; and
- (ii) if purchases are by tender, tenders shall be available to all shareholders alike.

**11 POWER OF ANY SUBSIDIARY OF THE COMPANY TO OWN SHARES IN ITS PARENT COMPANY**

The Articles of Association contains no restrictions preventing any subsidiary of the Company from holding shares.

**12 DIVIDENDS AND OTHER METHODS OF DISTRIBUTION**

The Company may distribute dividends by way of cash or bonus shares.

Any amount paid up in advance of calls on any share may carry interest but shall not entitle the holder of the share to participate in respect thereof in a dividend subsequently declared.

After the resolution in respect of profit distribution has been adopted at the shareholders' general meeting, the Board of the Company is required to complete the distribution of dividends (or shares) within two (2) months after such meeting is convened.

**13 PROXIES**

Any shareholder entitled to attend and vote at a shareholders' general meeting shall be entitled to appoint one or more persons (whether or not a shareholder) as his proxy to attend and vote on his behalf. A proxy so appointed shall be entitled to exercise the following rights in accordance with the authorization from that shareholder:

- (i) the shareholder's right to speak at the meeting;
- (ii) the right to demand, whether on his own or together with others, a poll; and
- (iii) the right to vote on a poll according to the number of shares, the voting rights of which he is authorized to exercise; however, if the proxy represents more than one shareholder, the proxy must vote on a poll.

The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorized in writing, or if the appointor is a legal person either under seal or under the hand of a director or attorney duly authorized. The instrument appointing a voting proxy shall be deposited at the Company's domicile or at such other place as is specified in the notice convening the meeting not less than 24 hours prior to the time for holding the meeting at which the proxy propose to vote or the time specified for the passing of the resolution. If such instrument is signed by another person under a power of attorney or other authorization documents given by the appointor, such power of attorney or other authorization documents shall be notarized. The notarized power of attorney or other authorization documents shall, together with the instrument appointing the voting proxy, be deposited at the Company's domicile or at such other place as is specified in the notice convening the meeting.

If the appointor is a legal person, its legal representative or any person authorized by resolutions of its board of directors or other governing body shall attend the shareholders' meeting as the appointor's representative.

Any form issued to a shareholder by the Board for the purpose of appointing a proxy shall be such as to enable the shareholder, according to his free will, to instruct his proxy to vote in favor of or against the motions proposed and in respect of each individual matters to be voted on at the meeting. Such a form shall contain a statement that in the absence of instructions from the appointor, the proxy may vote as he thinks fit.

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A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous death or loss of capacity of the appointor or revocation of the proxy or of the authority under which the proxy was executed, or the transfer of the share in respect of which the proxy is given, provided that no notice in writing of such death, loss of capacity, revocation or transfer as aforesaid shall have been received by the Company before the commencement of the meeting at which the proxy is used.

**14 CALLS ON SHARES AND FORFEITURE OF SHARES**

There are no provisions in the Articles of Association relating to the making of calls on shares or for the forfeiture of shares.

**15 INSPECTION OF REGISTER OF SHAREHOLDERS AND OTHER RIGHTS OF SHAREHOLDERS**

The Company shall keep a register of shareholders.

No changes which are required by reason of a transfer of shares may be made to the register of shareholders within thirty (30) days prior to the date of a shareholders' general meeting or five (5) days prior to the record date for the Company's distribution of dividends.

When the Company decides to convene a shareholders' general meeting, distribute dividends, liquidate or carry out other activities which require the determination of shareholdings, the Board of Directors shall fix a record date for the purpose of determining the shareholding. A person who is registered in the register as shareholders of the Company at the end of the record date shall be a shareholder of the Company.

Any person who objects to what is contained in the register of shareholders and wishes to register his name on, or delete his name from, the register may apply to the court which jurisdiction to amend the register.

The right of the shareholders to information includes, but without limitation, the following:

- (i) the right to a copy of the Articles of Association after payment of costs;
- (ii) the right to inspect and copy, subject to payment of a reasonable fee:
  - a. all parts of the register of members;
  - b. personal particulars of each of the Company's Directors, Supervisors, president, and other senior officers;
  - c. reports on the status of the Company's share capital;
  - d. reports showing the aggregate par value, quantity, highest and lowest price paid in respect of each class of shares repurchased by the Company since the end of the last accounting year and the aggregate amount paid by the Company for this purpose; and
  - e. corporate bond certificates, minutes of the general meetings of shareholders, resolutions of the Board of Directors' meeting, resolutions of the supervisory committee, and financial and accounting reports.

Shareholders demanding inspection of the relevant information or copies of the materials mentioned in the preceding paragraph shall provide to the Company written documents indicating the class and number of shares they hold. After confirmation of the shareholder's identity, the Company shall provide such information based on the shareholder's request.

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**16 QUORUM FOR SHAREHOLDERS MEETINGS**

The Company can convene a shareholders’ meeting if the number of shares carrying voting rights represented by shareholders intending to attend comprise at least half of the total number of shares carrying voting rights.

The Company can convene a class shareholders’ meeting, if the number of shares of the class carrying voting rights represented by shareholders intending to attend comprise at least half of the total number of such shares of the class.

**17 RIGHTS OF MINORITY SHAREHOLDERS IN RELATION TO FRAUD OR OPPRESSION**

In addition to the obligations imposed by laws and administrative regulations or the Listing Rules on which shares are listed, a controlling shareholder, when exercising his rights as a shareholder, shall not exercise his voting rights to make a decision which is prejudicial to the interests of the shareholders generally or of some of the shareholders of the Company in respect of the following matters:

- (i) to relieve a Director or Supervisor of his duty to act honestly in the best interests of the Company;
- (ii) to approve the expropriation by a Director or Supervisor (for his own benefit or for the benefit of another person), in any way, of the Company’s assets, including (without limitation) opportunities beneficial to the Company; or
- (iii) to approve the expropriation by a Director or Supervisor (for his own benefit or for the benefit of another person) of the individual rights of other shareholders, including (without limitation) rights to distributions and voting rights, but not including a reorganization of the Company submitted to and approved by shareholders’ general meeting in accordance with the Articles of Association.

**18 PROCEDURE ON LIQUIDATION**

The Company shall be dissolved and liquidated in accordance with law upon occurrence of any of the following events:

- (i) the termination of business term or any other situations of dissolution that regulated by the Articles of Association;
- (ii) a resolution for dissolution is passed by a shareholders’ general meeting;
- (iii) dissolution is necessary due to a merger or division of the Company;
- (iv) the Company is legally declared insolvent due to its failure to repay debts due;
- (v) the Company is ordered to close down because of its violation of laws or administrative regulations; or
- (vi) where the Company’s operation encounters serious difficulty, continuing operation will cause substantial loss to shareholders and such difficulty cannot be solved some other way, shareholders holding more than 10% of the voting rights of all shareholders may make requisition to the People’s Court to liquidate the Company.

A liquidation group shall be set up within 15 days after the events under the occurrence of (i), (ii), (v) and (vi). The liquidation group of the Company shall comprise persons appointed by the Board’s or shareholders’ meeting. If the liquidation group is not set up within the stipulated period of time, creditors may request the People’s Court to designate the relevant personnel to form a liquidation group to conduct the liquidation.

Where the Board proposes to liquidate the Company due to causes other than where the Company has declared that it is insolvent, the Board shall include a statement in its notice convening a shareholders’ general meeting to consider the proposal to the effect that, after making full inquiry into the affairs of the Company, the

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Board is of the opinion that the Company will be able to pay all its debts in full within 12 months from the commencement of the liquidation.

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

The liquidation group shall act in accordance with the instructions of the shareholders' general meeting to make a report at least once every year to the shareholders' general meeting on the group's receipts and payments, the business of the Company and the progress of the liquidation, and to present a final report to the shareholders general meeting on completion of the liquidation.

The liquidation group shall, within ten (10) days of its establishment, send a notice to creditors, and within sixty (60) days of its establishment make a public announcement in a newspaper.

The liquidation group shall carry out registration of creditors' rights so reported.

During the liquidation period, the liquidation group shall exercise the following functions and powers:

- (i) to sort out the Company's assets and prepare a balance sheet and an inventory of assets respectively;
- (ii) to notify all creditors by notice or public announcements;
- (iii) to dispose of and liquidate any relevant unfinished business matters of the Company;
- (iv) to pay all outstanding taxes;
- (v) to settle claims and debts;
- (vi) to deal with assets remaining after the Company's debts having been paid in full; and
- (vii) to represent the Company in any civil proceedings.

The liquidation committee shall thoroughly examine the assets of the Company, and prepare a balance sheet and an inventory of assets. Upon completion, the liquidation committee shall draw up a proposal for liquidation and submit the same to the shareholders' meeting and the relevant authority in charge for confirmation.

If the Company is liquidated by reason of dissolution and the liquidation committee, having thoroughly examined the Company's assets and having prepared a balance sheet and assets list, discovers that the Company's assets are insufficient to pay its debts in full, it shall immediately apply to the People's Court for a declaration of insolvency.

After the People's Court has declared the Company insolvent, the company's liquidation committee shall turn over any matters regarding the liquidation to the People's Court.

Following the completion of liquidation, the liquidation group shall present a report on liquidation and prepare a statement of the receipts and payments during the period of liquidation and financial books and records which shall be audited by the PRC certified public accountants and submitted to the shareholders' general meeting or the relevant governing authority for confirmation.

The liquidation group shall also within 30 days after such confirmation, submit the documents referred to in the preceding paragraph to the company registration authority and apply for cancellation of registration of the Company, and publish an announcement relating to the termination of the Company.

**19 OTHER PROVISIONS MATERIAL TO THE COMPANY OR ITS SHAREHOLDERS**

- (a) General provisions

The Company is a joint stock limited company of perpetual existence.

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The Company may invest in other companies with limited liability or joint stock limited companies and shall be liable to the companies in which it invests to the extent of its capital contribution.

The Article of Association constitute a legal document regulating the relationship between the Company and each of its shareholders and among the shareholders interest, actionable by a shareholder against the Company and vice versa and by shareholders against each other in respect of rights and obligations concerning the affairs of the Company arising out of the Articles of Association. The shareholders may also bring actions against the Directors, Supervisors, president, and other senior officers of the Company. For the purposes of the Articles of Association, actions include court proceedings and arbitration proceedings.

(b) Shares and transfers

The Company may increase its capital in the following ways:

- (i) offering new shares to non-specially-designated investors for subscription;
- (ii) private issue of new shares;
- (iii) allotting bonus shares to its existing shareholders;
- (iv) conversion of capital reserve; and
- (v) any other ways permitted by laws and administrative regulations.

The Company's increase of capital by issuing new shares shall, after being approved in accordance with the provisions of the Articles of Association, be conducted in accordance with the procedures stipulated by the relevant laws and administrative regulations of the State.

The Company may reduce its registered capital in accordance with the provisions of the Articles of Association.

When the Company reduces its registered capital, it shall prepare a balance sheet and an inventory of assets.

The Company's registered capital after reduction shall not be less than the statutory minimum amount.

Subject to the approval of the securities authority of the State Council, holders of our Domestic Shares may transfer their shares to overseas investors, and such transferred shares may be listed or traded on an overseas stock exchange. Any listing or trading of the transferred shares on an overseas stock exchange shall also comply with the regulatory procedures, rules and requirements of such overseas stock exchange.

(c) Shareholders

A shareholder of the Company is a person who lawfully holds shares and has his name recorded on the register of shareholders. A shareholder enjoys rights, and is subject to obligations, according to the class and number of shares he holds. Holders of the same class of shares enjoy the same rights and subject to the same obligations.

Unless specified otherwise in the Articles of Association, the holders of Domestic Shares and overseas-listed foreign-invested shares are ordinary shareholders with the same rights and subject to the same obligations. The ordinary shareholder of the Company shall enjoy the following rights:

- (i) the right to dividends and other distributions in proportion to the number of shares held by him;

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- (ii) the right to request, convene, preside, attend or appoint a proxy to attend shareholders’ general meetings and to vote thereat;
- (iii) the right to supervise the Company’s business operations, and the right to present proposals and inquiries;
- (iv) the right to transfer, give or pledge shares in accordance with the laws, administrative regulations and the Articles of Association;
- (v) the right to obtain relevant information in accordance with the provisions of the Articles of Association;
- (vi) in the event of the termination or liquidation of the Company, to participate in the distribution of surplus assets of the Company according to the number of shares held by him;
- (vii) in the event of a merger or division of the Company, the right to request the Company to purchase his shares if he objects to the merger or division; and
- (viii) other rights conferred by laws, administrative regulations and the Articles of Association.

If a shareholder holding 5% or more of the voting shares of the Company pledges any shares that are in his or her possession, he or she shall report the same to the Company in writing on the day on which he or she pledges his or her shares.

The Company shall not freeze or otherwise impair any of the rights attaching to any share by reason only that the person or persons who are interested directly or indirectly therein have failed to disclose their interests to the Company.

A shareholder is not be liable to make any further contribution to the share capital other than the terms agreed.

Share certificates of the Company shall be in registered form.

Share certificates of the Company shall be signed by the legal representative of the Company. Where the stock exchanges on which shares are listed require the share certificates to be signed by senior officers of the Company, the share certificates shall also be signed by such senior officers. Where the shares are issued or traded on a surplus basis, the Company shall comply with the relevant regulations of the securities regulatory authority.

The share certificates shall take effect after being affixed with the Company’s seal or a machine-imprinted seal of the Company provided that such seal shall only be affixed with the authority of the Board of Directors. The signatures of the legal representative or other senior officers of the Company on the Share certificates may be printed in mechanical form.

Any person who is registered shareholder or who requests to have his name (title) entered into the register of shareholders may, if his share certificate (the “original certificate”) in respect of shares in the Company is lost, apply to the Company for a replacement new share certificate in respect of such shares (the “Relevant Shares”).

If a holder of Domestic Shares loses his share certificate and applies for a replacement new share certificate, it shall be dealt with in accordance with relevant provisions of the Company Law.

In the case of an application to issue a replacement new certificate being made without the consent of the registered holder of the Relevant Shares, the Company shall deliver by mail to such registered shareholder a copy of the announcement to be published.



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- (v) if, by the expiration of the 90-day period referred to in above (iii) and (iv), the Company shall not have received from any person notice of any disagreement to such application, the Company may issue a replacement new share certificate to the applicant accordingly.
  - (vi) where the Company issues a replacement new share certificate under the Articles of Association, it shall forthwith cancel the original share certificate and enter the cancellation and replacement issue in the register of shareholders accordingly.
  - (vii) all expenses relating to the cancellation of an original share certificate and the issue of a replacement new share certificate by the Company shall be borne by the applicant. The Company may refuse to take any action until reasonable security is provided by the applicant for such expenses.
- (d) Untraceable members
- The Company may exercise power to cease sending dividend warrants by post to a holder of foreign shares listed overseas when such warrants have not be cashed twice in a row. However, such power may be exercised after the first occasion on which such a warrant is returned undelivered.
- The Company shall not exercise power to sell the shares of a shareholder who is untraceable unless:
- (i) during a period of 12 years at least three dividends in respect of the shares in question have become payable an no dividend during that period has been claimed; and
  - (ii) on expiry of the 12 years the Company, after approval by the securities regulatory authority of the State Council, gives notice of its intention to sell the shares by way of an advertisement published in the newspapers and notifies the Hong Kong Stock Exchange of such intention.
- (e) The Board of Directors
- The Board of Directors shall be accountable to the general meeting of the shareholders, and shall exercise the following functions and powers:
- (i) to convene general meetings and report on its work to the shareholders;
  - (ii) to implement the resolutions of general meetings;
  - (iii) to decide on the Company's business plans, investment plans;
  - (iv) to decide on the Company's investment, transaction of assets, mortgage of assets, entrust financing and related transaction with the authorization of the shareholders' general meeting;
  - (v) to formulate the Company's proposed annual financial budget and final accounts;
  - (vi) to formulate the Company's profit distribution plan and plan for making up for losses;
  - (vii) to formulate proposals for the increase or reduction of the Company's registered capital;
  - (viii) to formulate the issue of corporate bond or other securities and the listing plan;
  - (ix) to prepare plans for material acquisition, purchase of the Company's shares, merger, demerger, dissolution or change of the form of the Company;
  - (x) to decide on the establishment of the Company's internal management structure;
  - (xi) to appoint or dismiss the Company's president;
  - (xii) pursuant to the chairman of board's nominations to appoint or dismiss the secretary of the Board;

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- (xiii) pursuant to the president’s nominations to appoint or dismiss vice president, financial charge, and other senior officers of the Company and to decide on their remuneration and benefits;
- (xiv) to formulate the Company’s basic management system;
- (xv) to formulate plans for the amendment of the Company’s Articles of Association;
- (xvi) to formulate the Company’s share incentive scheme;
- (xvii) to deal with disclosures of information on our Company;
- (xviii) to propose to the shareholders’ general meetings the appointment or replacement of the auditor of our Company;
- (xix) to receive work report submitted by the president of our Company and to review his performance;
- (xx) to elect the Chairman and vice Chairman of the Company;
- (xxi) to approve corporate guarantees, which does not require the approval of shareholders at a general meeting in accordance with the Articles of Association;
- (xxii) to decide the establishment or cancel of the Company’s branch;
- (xxiii) to decide on any plans for the conversion, demerger, reorganization or dissolution of our subsidiaries;
- (xxiv) to decide on any policies or schemes in respect of employees’ remuneration, welfare, bonus and disincentives;
- (xxv) to decide on and to monitor the implementation of our Company’s risk management system, including risk assessments, financial control, internal audit, legal risk control;
- (xxvi) to appoint or replace any Directors and Supervisors representing shareholders of the wholly-owned subsidiaries of our Company, and to nominate shareholders’ representatives, directors (candidates) and supervisors representing shareholders (candidates) of controlling and holding subsidiaries; to nominate candidates for senior management of wholly-owned subsidiaries or subsidiaries in which the Company is a majority shareholder;
- (xxvii) to decide on the establishment of the Special Committee, to appoint or dismiss the chairman of the special committee;
- (xxviii) to decide on the pledges and charge of assets and provision of guarantees in respect of the Company’s debts;
- (xxix) to manage the put on record of the charge of the company’s department;
- (xxx) to decide on the vouch provide for the company’s loan;
- (xxxi) to decide on the extraordinary expenses of annual financial budget; and
- (xxxii) to exercise other functions and powers conferred at general meetings and by the laws, regulations and the Articles of Association.

Resolutions relating to the above, with the exception of items (vii), (viii), (xi), and (xv) above which shall require the consent of more than two thirds of the Directors and item (xxi) above which shall require the consent of more than two thirds of the attended Directors, shall require the consent of more than half of the Directors.

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Meetings of the Board shall be held regularly at least forth in each year and shall be convened by the Chairman of the Board of Directors. A quorum will be formed by more than half of the Directors attending in person and appointing another Director as his attorney.

If a Director is unable to attend a board meeting, he may appoint another Director by a written power of attorney to attend on his behalf. Such a power of attorney shall specify the scope of authorization.

A director shall be deemed to be unable to carry out his duties if he or she fails to (i) attend two consecutive board meetings in person and fails to appoint an alternate director to attend board meetings on his behalf; (ii) fails to attend at least three quarters of the total number of board meetings (including general meetings and extraordinary general meetings) held within one year; or (iii) abstains from voting more than or equal to 30% of the number of votes cast within one year. The Board shall propose at the shareholders' general meeting for the removal of such Director.

Directors attending board meetings shall exercise their powers as Directors within their scope of authorization. If a Director fails to attend a board meeting and does not appoint an attorney to attend, the Director is deemed to have relinquished his rights to vote at that meeting.

Each Director shall have one vote. Unless specified otherwise in the Articles of Association, resolutions of the board of directors must be passed by more than half of all the Directors. Where the number of votes cast for and against a resolution are equal, the Chairman shall have the right to cast an additional vote.

A director shall abstain from voting in connection with the relevant motion under any of the following circumstances:

- (i) circumstances that such Director should abstain from voting as provided for in the listing rules of the stock exchange located at the listing venue of the Company;
- (ii) circumstances that such Director thinks fit to do so; or
- (iii) any other circumstance that as provided for in the Articles of Association, such Director should abstain from voting on the ground that he or she is connected with the enterprise involved in the motion tabled to the meeting.

To the extent that the Directors abstain from voting, the relevant Board meeting may be conducted if more than half the number of non-connected Directors are present at the meeting and resolutions shall be adopted by a simple majority vote of all non-connected directors present thereat. If there are less than three (3) non-connected Directors present at the Board meeting, no voting shall be conducted for the relevant motion and the matter concerned shall be submitted to the shareholders' general meeting for consideration.

- (f) Independent Directors

Members of the Board of the Company shall include at least one-third or more of the independent Directors.

- (g) Secretary of the Board of Directors

The secretary of the Board shall be a natural person who has the requisite professional knowledge and experience, and shall be appointed by the Board.

- (h) Supervisory Committee

The Company shall have a Supervisory Committee.

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The Supervisory Committee shall be composed of three members, one of whom shall be the chairman of the Supervisory Committee.

The election or removal of the chairman of the Supervisory Committee shall be decided by two-thirds or more of the Supervisors. Decisions of the supervisory committee shall be made by the affirmative vote of two-thirds or more of the Supervisors.

The term of office of supervisors shall be three years, renewable upon re-election.

The Directors, president, financial officer of the Company shall not act concurrently as Supervisors.

The Supervisory Committee shall be accountable to the shareholders' general meeting and exercise the following functions and powers in accordance with law:

- (i) to check the regular reports prepared by the Board and provide written opinion;
- (ii) to examine the Company's financial situation;
- (iii) to supervise the Directors and senior officers in their performance of duties and to propose the removal of Directors and senior officers who have contravened any law, regulations, the Articles of Association or shareholders' resolutions, represent the Company to bargain with or sue Directors;
- (iv) to demand any Director and senior officer of the Company who acts in a manner which is harmful to the Company's interests to rectify such behavior, and to report such situations to the shareholders meeting or relevant authorities when necessary;
- (v) to propose to convene a shareholders' extraordinary general meeting, and to convene and preside over shareholders' general meetings when the Board fails to perform the duty of convening and presiding over the general meeting in accordance with the Company Law;
- (vi) to propose resolutions at a shareholders' general meeting;
- (vii) to propose to convene an extraordinary meeting of the Board of Directors;
- (viii) to elect the chairman of supervisory committee;
- (ix) to institute a suit to the Directors or senior officers of the Company by laws; and
- (x) to conduct investigation into any irregularities in the Company's operations identified; if necessary, professionals such as accounting firms and law firms may be hired to provide assistance at the expense of the Company.

Supervisors shall be present at meetings of the Board.

(i) President

The Company shall have one president, who shall be appointed and dismissed by the Board. The president shall be accountable to the Board and exercise the following functions and powers:

- (i) to be in charge of the Company's production, operation and management and report to the board;
- (ii) to organize the implementation of the resolutions of the Board;
- (iii) to organize the implementation of the Company's annual business plan and investment plan;
- (iv) to draft plans for the establishment of the Company's internal management structure;
- (v) to draft the Company's basic management system;

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- (vi) to formulate basic rules and regulations of the Company;
  - (vii) to propose the appointment or dismissal of the Company's vice president and charge of finance;
  - (viii) to appoint and dismiss management personnel other than those required to be appointed or dismissed by the Board;
  - (ix) to sign the stock and other legal documents as the company's representative;
  - (x) to formulate the plans for conversion, demerger, reorganization or dissolution of our subsidiaries;
  - (xi) to formulate the plans for establishment of the company;
  - (xii) to formulate the salary level of and distribution plan to our employees;
  - (xiii) pursuant to the authorization of the Board to dispose affairs of the company's which in force majeure or in great crisis in accordance with the laws and the benefits of the company, and report to the Board lately;
  - (xiv) to formulate the plans for the establishment of branches of our Company; and
  - (xv) other functions and powers conferred by laws, regulations, the Articles of Association and the Board and authorized by the Board.
- (j) Common Reserve Fund

When distributing the after-tax profits of the current year, the Company shall allocate 10% of its profits into its statutory common reserve fund. When the cumulated amount of the statutory common reserve fund of the Company has reached 50% or more of its registered capital, no further allocations is required.

Where the statutory common reserve fund of the Company is insufficient to make up for the losses of the Company incurred during the previous years, before making allocation to the statutory common reserve fund in accordance with the preceding paragraph, the profits generated during the current year shall be used to make up for such losses.

After making allocation to the statutory common reserve fund of the Company from its after-tax profits, the Company may, subject to resolutions adopted at a general meeting, also allocate funds from the after-tax profits to the discretionary common reserve fund.

After making up for the losses and making contributions to the common reserve fund, any remaining profits shall be distributed to the shareholders in proportion to their respective shareholdings, except it is stipulated in the Articles of Association that profit distributions shall not be made in accordance with the shareholding proportion.

If the shareholders' general meeting has, in violation of the provisions of the preceding paragraphs, distributed profits to the shareholders before the Company has made up for its losses and made allocations to the statutory common reserve fund, the shareholders must return the profits distributed in violation of the provision to the Company.

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

The common reserve fund of the Company shall be used to make up its losses, increasing the scale of production and operation of the Company or converting the same into the capital of the Company to increase the amount thereof, provided that the capital common reserve fund shall not be applied for making up the losses of the Company.

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At the time of converting the statutory common reserve fund into registered capital, the amount retained in such common reserve fund shall not be less than 25% of the registered capital before the said conversion.