

This Appendix contains a summary of the principal provisions of the Articles of Association, which was adopted on 13 April 2011 and will become effective on the date on which our H Shares are listed on the Hong Kong Stock Exchange. The principal objective of this Appendix is to provide potential investors with 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 to potential investors. A copy of the full Chinese text of the Articles of Association is available for inspection as mentioned in the paragraphs headed “Documents Delivered to the Registrar of Companies” and “Documents Available for Inspection” in Appendix IX of this prospectus.

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. The plan of overseas listings of foreign shares and domestic shares which is approved by the CSRC can be arranged by the Board to be listed separately.

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 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.

The Board should define the limits of authority in investments and Acquisition and sale of assets. The major investment should be assessed by the experts and professionals. The percentage of the one-time investment (or the total amount of disposal assets) or the accumulative total amounts of investment in four months in the latest audited net assets should not exceed 10%. If the percentage exceeds the figure, the former total amount of investment should be approved by the general meeting of shareholders.

(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 shareholders in general meeting, compensation or other payments for loss of office or for his retirement from 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 in connection with a loan to its Directors, Supervisors, general manager and other senior officers. 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, general manager or other senior officer.

The company shall not accept any pledge with its own stocks as the subject matter. The Company may not, in any way, pay tax for any of its Directors, Supervisors, managers and other senior management personnel.

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, general manager 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, general manager 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 properly, in accordance with the terms of an employment contract approved by the shareholders' general meeting his duties; 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, general manager or other senior officers or other connected persons 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 for the Company's interests 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;
- (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 or by changing one's financial position by any other means, whether enforceable or unenforceable, and whether made on one's own account or on the account of any other person.

(f) Disclosure of interests in and voting on contracts with the Company or any of its subsidiaries

Where a Director, Supervisor, general manager or other senior officer is, 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 under normal circumstances.

Unless the interested Director, Supervisor, general manager or other senior officer has disclosed his interest to the Board in accordance with the Articles of Association and the contract, transaction or arrangement has been approved by the Board at a meeting at which the interested Director, Supervisor, general manager 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, general manager or other senior officer is materially interested can be rescinded at the Company's option. For these purposes, a Director, Supervisor general manager or other senior officer is deemed to be interested in a contract, transaction or arrangement in which a person connected to him is interested.

Where a Director, Supervisor, general manager 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 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 Supervisor 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

Under any of the following circumstances, The following persons may not serve as a Director, Supervisor, general manager 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 or ordered to close 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;
 - (v) persons who have failed to pay a relatively large debt when due and outstanding;
 - (vi) persons who have been given a punishment of prohibition for entering the security market from CSRC and the term of such punishment has not expired;
 - (vii) persons in charge of the stock exchanges or securities registration and settlement institutions or the Directors, Supervisors and the senior managers of the security companies who are relieved from duties for the reasons of illegal behaviours or Disciplinary offenses, and the duration being less than 5 years since the day of the former persons being relieved duties;
 - (viii) persons who are convicted of violation of the provisions of the securities laws by the relevant authorities, and involving fraud or dishonesty behaviours, and the duration being less than 5 years since the date of adjudication;
 - (ix) the lawyers, registered accountants or the professionals in the investment advisory bodies, financial advisory bodies, credit rating agencies, asset assessment institutions and the verification agency who are disqualified for the reasons of illegal behaviours or disciplinary offenses, and the duration being less than 5 years since the date of disqualification;
 - (x) state personnel and other persons who are prohibited to hold a part-time post by laws and the administrative regulations;
 - (xi) persons who are penalized by the financial regulators for the significant illegal actions, and the duration being less than 3 years since the date of the period of executing expires;
 - (xii) the duration being less than 3 years since the date of being disqualification by the CSRC;
 - (xiii) the duration being less than 2 years since the date of being identified as inappropriate candidates by the CSRC;
 - (xiv) persons who are prohibited to hold a post as leaders of companies by laws and the administrative regulations;
 - (xv) persons who are not natural persons;
 - (xvi) persons who are in the period of being under investigation for the reason of being suspected of illegal behaviours, or who are under criminal investigation for the reason of violating the criminal law, and the case being still pending; or

(xvii) 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, general manager 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, general manager or other senior officers.

The Board shall be composed of 13 Directors including one board chairman and one vice chairman. The number of the inside Directors shall not exceed a half of the number of the Directors. The general manager or other senior officers may serve concurrently as a Director (except the independent Director) of the Company, provided, however, the number of the Directors that serve concurrently as the general manager or other senior officers of the Company shall not exceed half of the total number of the Directors of the Company.

The chairman and the vice chairman of the Board shall be elected 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 under the premise of in compliance with the laws, administrative regulations and department regulations.

The term of office of the chairman and other Directors shall be three years commencing from their accession and ending on the expiry of the term of the current session of the Board and is renewable upon re-election, except for independent non-executive Directors, who are limited to a maximum term of two consecutive terms. Directors shall not be dismissed by the Shareholders' general meeting without fair reasons prior to expiration of the term of office.

The candidates of Directors should undertake in writing to accept their nomination prior to the Shareholders' general meeting. 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 7 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 7 days before the date of the general meeting.

The list of Directors' and Supervisors' candidates shall be proposed in form of a motion to the shareholders' general meeting for resolution.

The Directors, Supervisors of the Company should have the qualifications approved by the CSRC before holding the post. The Company shall not appoint persons who don't have the approved qualification to be Directors or Supervisors, and should not violate regulations to grant authorization to the person who don't have the approved qualification to actually execute the power.

At the time of voting for the election of Directors or Supervisors at a shareholders' general meeting, the cumulative voting system may be implemented when the largest shareholder holds more than 30% of the total shares of the company.

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 make a public announcement on the biographies and general information of the Directors' and Supervisors' candidates.

(i) *Borrowing powers*

On condition 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 in a general meeting by way of a special resolution.

(j) *Liabilities*

The Directors, Supervisors, general manager 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 for in relevant laws and administrative regulations, the Company is entitled to adopt the following measures where a Director, Supervisor, general manager or other senior officer is in breach of his duties owed to the Company:

- (i) to claim against such a Director, Supervisor, general manager 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, general manager 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, general manager or other senior officer as a result of his breach;
- (iv) to recover any monies received by the Director, Supervisor, general manager or other senior officer which should have been received by the Company, including, without limitation, commissions; and
- (v) to demand the return of the interest earned or which may have been earned on any monies by the Director, Supervisor, general manager or other senior officer which should have been received by 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, general manager 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 duties 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;
- (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 laws and administrative regulations 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 shareholders of the same class equally and to treat shareholders of different classes fairly;
- (v) except in accordance with the Articles of Association or with the informed consent of 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 in any way 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 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 to seek personal gain;
- (x) not to compete with the Company in any way except with the informed consent of shareholders given in general meeting;
- (xi) not to misappropriate the Company's funds or to lend the Company's funds to any person in violation of the provisions, not to open any bank account in his own name or other names for the deposit of the Company's assets, not to provide security for debt of a shareholder of the Company or any other individuals in violation of the provisions; and
- (xii) without the informed consent of 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 made under law; (ii) there is a requirement to the public interests to disclose; or (iii) the personal interests of the Director, Supervisor, general manager or other senior officer require disclosure.

A Director, Supervisor, general manager 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, general manager or other senior officer if he is:

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

The fiduciary duties of a Director, Supervisor, general manager 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, general manager 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, general manager 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, general manager 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 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 above 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 these Articles of Association resulting in impairing the interests of 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 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. Where any amendment to the Articles of Association is related to information required by laws and regulations to be disclosed, such amendment shall be announced in accordance with the relevant provisions.

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 shareholders’ 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;
- (ii) to convert all or part of the shares of such class into another class, or to convert all or part of the shares of another class into such class or to grant the conversion rights;
- (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 of the Company of such class;
- (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;
- (ix) to 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 about special procedures of voting rights of shares of a class in the Articles of Association.

Shareholders of the affected class, whether or not having the right to vote at shareholders’ 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 favour of such resolutions.

Written notice of a class meeting shall be given by the Company 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 place, date and time 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 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 place, date and time 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.

Except in circumstances referred to in the Articles of Association, 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 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 or Foreign Shares;
- (ii) where the Company completes, within 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 Foreign 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 by the same proportion pursuant to the Articles of Association or public dealing on a stock exchange, a controlling shareholder within the meaning of the Articles of Association;
- (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; and
- (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 the one half votes represented by shareholders (including proxies) present at the meeting must be exercised in favour of the resolution.

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

Unless specifically provided by the securities regulatory body where shares of the Company are listed, votes of the shareholders' general meeting shall be taken by show of hands, unless the following persons require voting by poll before or after voting by show of hands:

- (i) chairman of the meeting;
- (ii) at least two (2) shareholders or proxies thereof having the right to vote; or
- (iii) one (1) or several shareholders (including proxies) holding, separately or collectively, 10% or more of the shares carrying the voting right at the meeting.

Unless voting by poll is proposed, the chairman of the meeting shall declare whether a proposal has been adopted according to the results of voting by show of hands, and record the same in the minutes of the meeting as the final basis. There is no need to prove the number or proportion of the votes for or against a given resolution adopted at the meeting.

The demand for voting by poll may be withdrawn by the person who requested the same.

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 shareholders' 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 shareholders' 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. Annual general meetings are held once every year within six months after the financial year end.

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 provisions of relevant department.

The Board 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 department regulations to be prepared by the Company.

The financial statements of the Company shall, in addition to being prepared in accordance with the PRC accounting standards and regulations, be prepared in accordance with either international accounting standards or that of the place outside China where the Company's shares are listed. If there is any material difference between the financial statements prepared respectively in accordance with the aforesaid accounting standards, such difference shall be stated and explained in the financial statements. For the purposes of distribution of the Company's after-tax profits in a financial year, the lower of the after-tax profits as shown in the different set of financial statements shall be adopted.

The financial reports of the Company shall be made available at the Company for inspection by shareholders 20 days before the annual general meeting. Every shareholder of the Company is entitled to have the copy of the financial reports.

Unless otherwise provided in Articles of Associations of the Company, a copy of either (i) the aforementioned report, or (ii) the Directors' report, accompanied by the balance sheet (including every document required by law to be annexed thereto) and profit and loss account or income and expenditure account, or (iii) the summary financial report shall, at least 21 days before the date of the general meeting, be delivered or sent by post to the registered address of every member.

The interim results or financial information that the Company announces or discloses shall be compiled according to both PRC accounting standards, rules and regulations, and international accounting standards or accounting standards of the place at which shares of the Company are listed.

The Company shall disclose its financial reports two times in each financial year, that is, its interim financial reports within 60 days of the end of the first six months of a financial year and its annual financial reports within 120 days of its financial year end. If required by the rules of the securities regulatory body where shares of the Company are listed, such provisions should prevail.

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, verify net assets, audit risk control indicator data and provide other related business advisory services. The accounting firm appointed by the Company shall hold office from the conclusion of the annual general meeting of shareholder until the conclusion of the next annual general meeting of shareholders and may be renewed.

The shareholders in general meeting may by ordinary resolution remove an accounting 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 accounting firm or the manner in which such remuneration is determined shall be decided by the shareholders in general meeting. The remuneration of an accountant firm appointed by the Board shall be decided by the Board.

The Company's appointment of, removal of and non-reappointment of an accounting firm shall be resolved upon by the shareholders in general meeting and reported to the competent securities department of the State Council for record-filing.

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

Where the accounting 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 accounting 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 where the statement is made by the accounting firm and is required by the accounting firm to notify the Shareholders, a copy of such statement shall be placed at the Company for shareholders' inspection. Unless otherwise provided in Articles of Associations of the Company, the Company shall also send a copy of such statement by prepaid mail to every share holder entitled to obtain a copy of the issuer's financial statements at the address registered in the register of shareholders.

Where the accounting 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 to convene a shareholders' extraordinary general meeting for the purpose of receiving an explanation of the circumstances connected with its resignation.

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.

Except for under unusual circumstances such as crisis and otherwise, the Company shall not enter into any contract with any person other than a Director, Supervisor, general manager 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 PRC Company Law or two-thirds of the number of Directors specified in the Articles of Association (less than 9 Directors);
- (ii) when the unaccounted losses of the Company amount to one third of its paid 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 considers necessary;
- (v) upon the request of the supervisory committee; and
- (vi) other situations stipulated by laws, administrative regulations and the Articles of Association.

To convene a shareholders' general meeting, the Company shall give written notices 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 20 days before the date of the meeting.

When the Company is to convene an annual shareholders' general meeting, the Board, supervisory committee, shareholders holding 3 percent 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 20 days before the date of the meeting, the number of shares carry voting rights that the shareholders attending the meeting represent. The Company shall make an announcement, within 5 days, once again notifying the shareholders of the matters proposed to be considered and the date and place of the meeting if the number of shares carrying voting rights represented by shareholders intending to attend not attain more of the one half of total number of shares carrying voting rights. 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:

- (i) be in written form;
- (ii) specify the time, place and the date of the meeting;
- (iii) state the matters to be discussed at the meeting; the notice or supplementary notice on holding a session of the general meeting of shareholders shall thoroughly and completely disclose the specific contents of all the proposals. In case the opinions of an independent Director are necessary for any matter to be discussed, the opinions and the reasons of the independent director shall also be disclosed when the notice or supplementary notice on convening the general meeting of shareholders is sent out;
- (iv) 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 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;

- (v) contain a disclosure of the nature and extent, if any, of material interests of any Director, Supervisor, general manager 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;
- (vi) contain the text of any special resolution proposed to be passed at the meeting;
- (vii) specify the time and place for lodging proxy forms for the relevant meeting;
- (viii) contain conspicuously a statement that a shareholder entitled to attend and vote is entitled to appoint one or more proxies to attend and vote instead of him and that a proxy need not be a shareholder;
- (ix) specify the date of the share register listing the shareholders that have the right to attend and vote at the shareholders' meeting;
- (x) specify the name and contact number of the contact person for the meeting; and
- (xi) Where a listed company uses the network or any other means to hold meetings of the general meeting of shareholders, it shall clearly state the time of voting and the procedures for the shareholders to vote through network or by other means.

Unless otherwise provided in Articles of Associations of the Company, 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 45 days to 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 notification, materials or written announcement of the shareholders' assembly meeting should be delivered to the shareholders of overseas-listed foreign shares in any of the following manners, 45 days prior to the said meeting:

- (i) such notification or announcement should be delivered to every shareholders of overseas-listed foreign shares by person or by mail in accordance with the addresses of every shareholders. The notification for shareholders of H Shares should be sent at Hong Kong;
- (ii) announced at the website of the Company or websites designated by local stock exchange in accordance with relevant laws, regulations and listing rules; or
- (iii) other manners recognised by local stock exchange where shares of the Company are listed.

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 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, gives 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 days after the Board reaches such a resolution. Where the notice alters the original proposal, the approval of the relevant shareholders shall be required.

If the Board refuses to convene a shareholders' extraordinary meeting, or fails to respond within ten 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 days after receipt of the requisition. Failure of the supervisory 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 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 working reports of the Board and the supervisory committee;
- (ii) the approval of plans made by the Board on profit distribution and losses make-up;
- (iii) the approval of the nomination and removal of the members of the Board and supervisory committee, their remunerations and methods of payment;
- (iv) the approval of the annual budget, final accounts plans, the balance sheet, income statement and other financial statements;
- (v) the approval of the annual report of the Company;

- (vi) items other than those stipulated by laws, administrative regulations or the Articles of Association to be adopted by special resolutions.

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 and the issuance of any class of shares, warrants or other similar securities of the Company;
- (ii) the demerger, merger, termination, liquidation of the Company;
- (iii) amendments to the Articles of Association;
- (iv) the approval of the amount of buying or selling material assets or granting guarantee exceeding 30% of the Company's latest audited total asset value of;
- (v) the approval of a share incentive scheme;
- (vi) the issuance of any corporate bonds; and
- (vii) all other matters stipulated by laws, administrative regulations or the Articles of Association, and other matters decided in ordinary resolutions adopted by the shareholders' general meeting as having significant impact on the Company and requiring adoption by special resolutions.

The Company shall be subject to the approval of the shareholders' general meeting upon consideration in the event of providing 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 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 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.

The company shall not provide financial guarantees for its shareholders or their affiliates.

Where any shareholder is, under the Hong Kong Listing Rules or Shanghai 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 shall not be counted.

If a resolution of a shareholders' general meeting or the Board of the Company is in breach of any law or 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

Unless otherwise provided by laws and administrative regulations, shares of the Company shall be free from any restriction on the right of transfer and shall also be free from all liens. Where any transfer of overseas-listed

foreign shares is involved, the Company should assign local securities registration agencies in Hong Kong to file for registration.

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 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. However, where a securities company holds more than five percent of the shares of a listed company, which are the residing stocks purchased thereby after sale by proxy, the sale of the foregoing stocks may not be subject to the limit of a term of six (6) months.

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. 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.

All the fully paid-up H Shares can be freely transferred in accordance with the Articles of Association. However, the Board may refuse to recognise any instrument of transfer without giving any reason, unless:

- (i) a fee (for each instrument of transfer) in accordance with the cost standard specified by the Hong Kong Listing Rules has been paid to the Company for registration of any transfer or any other document which is related to or will affect ownership of or change of ownership of the shares;
- (ii) the instrument of transfer only involves H Shares;
- (iii) the stamp duty chargeable on the instrument of transfer has been paid in accordance with the law of Hong Kong;
- (iv) the relevant share certificate and, upon the reasonable request of the Board, any evidence in relation to the right of the transferor to transfer the shares has been submitted;
- (v) if it is intended to transfer the shares to joint owners, then the maximum number of joint owners shall not exceed four (4); and
- (vi) the Company does not have any lien on the relevant shares.

If the Board refuses to register the transfer of shares, the Company should deliver a notice of such refusal to the assignor and the assignee, within two (2) month of the filing date of the application for transfer.

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. If any requirements of the laws of the place of the stock exchange on which shares of the Company are listed or the provisions of such a stock exchange specify otherwise, such requirements or provisions shall prevail.

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; or
- (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.

If the Company repurchases its own shares due to items (1) through (3) 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 (1), the shares so repurchased shall be cancelled within ten (10) days of the repurchase. In the event of the circumstances set forth in items (2) and (4), the shares so repurchased shall be transferred or cancelled within six months.

If the Company repurchases its own shares in accordance with item (3) 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;
- (iii) repurchasing by an off-market agreement outside a stock exchange; or
- (iv) other form approved by the laws, administrative regulations and the competent authorities.

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) payment by the Company for the following purposes shall be made out of the Company's distributable profits:
 - (a) acquisition of rights to repurchase Shares;
 - (b) variation of any contract to repurchase Shares;
 - (c) release of any of the Company's obligations under a contract to repurchase Shares; and
- (iv) 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.

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.

After having repurchased shares pursuant to the law, the Company shall, within the time limit specified by laws and administrative regulations, cancel the shares repurchased and apply to the original company registration organ for registering the change(s) in the registered capital. The aggregate par value of the shares cancelled shall be deducted, upon verification, from the amount of the registered capital of the Company.

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. Where the Company distributes dividends in the form of shares, the shareholders' general meeting shall make a resolution and it shall be reported to the securities regulatory authority under the State Council or a department authorised by the State Council for examination and approval. 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.

The Company shall appoint on behalf of holders of Foreign Shares receiving agents to receive on behalf of such shareholders dividends and other monies payable by the Company in respect of their Shares.

The receiving agent appointed on behalf of holders of Foreign Shares listed in Hong Kong shall be a company registered as a trust company under the Trustee Ordinance of Hong Kong.

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 or showing of hands; 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 authorised in writing, or if the appointor is a legal person or other organisation either under seal or under the hand of a Director, legal representative or attorney duly authorised. 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 authorised by its legal representative, the Board 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 favour of or against the motions proposed or to abstain 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.

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 INSPECTION OF REGISTER OF SHAREHOLDERS AND OTHER RIGHTS OF SHAREHOLDERS

The Company shall keep a register of shareholders.

The Company may, in accordance with the understanding or agreements between the securities regulatory authority of the State Council and the overseas securities regulatory organisations, maintain the register of shareholders of Foreign Shares overseas and appoint overseas agent(s) to manage such share register.

Duplicates of the share register for holders of Foreign Shares shall be maintained at the Company's residence. The appointed overseas agent(s) shall ensure the consistency between the original and the duplicate of the share register. The original register of Overseas-listed foreign shares listed in Hong Kong shall be maintained at Hong Kong.

If there is any inconsistency between the original and the duplicate of share register for holders of Foreign Shares, the original shall prevail.

The Company shall keep a complete register of shareholders.

The register of shareholders shall comprise of the following parts:

- (i) register(s) of shareholders other than those specified in items (ii) and (iii) below kept at the domicile of the Company;
- (ii) register(s) of holders of the Company's Overseas-listed foreign shares kept in the place of the stock exchange(s) where those foreign-investment shares are traded; and
- (iii) register(s) of shareholders kept at other places as the Board thinks necessary for the purpose of listing.

Different parts of the register of shareholders shall not overlap. No transfer of Shares registered in any part of the register shall, during the continuance of that registration, be registered in any other part of the register.

The alteration or rectification of any part of the register of shareholders shall be carried out in accordance with the laws of the place where such part of the register is maintained.

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 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, general manager, 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) minutes of the general meetings of shareholders.

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.

15 RIGHTS OF MINORITY SHAREHOLDERS IN RELATION TO FRAUD OR OPPRESSION

In addition to the obligations imposed by laws and administrative regulations or relevant provisions of the securities regulatory authority 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 guise, 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 restructuring of the Company submitted to and approved by shareholders' general meeting in accordance with the Articles of Association.

16 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 approval of the securities authority of the State Council when the events under(i), (ii), (v), (vi) take place. The liquidation group of the Company shall comprise persons appointed by the 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 company is to be dissolved pursuant to item (iii), the company shall submit the application with the reason of insolvent and the debts settlement plan attached to CSRC. The company may be dissolved after being approved by CSRC. Where the Company is to be dissolved pursuant to Item (iv) of the preceding Article, a people's court shall, in accordance with the provisions of relevant laws, organise the state securities regulatory authority, the shareholders, relevant bodies and professionals to establish a liquidation team for the liquidation process. 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 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 10 days of its establishment send a notice to creditors, and within 60 days of its establishment make a public announcement through newspaper or other ways.

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 and taxes incurred during the liquidation;
- (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 PRC 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.

17 OTHER PROVISIONS MATERIAL TO THE COMPANY OR ITS SHAREHOLDERS

(a) General provisions

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

Within the scope specified the laws and administrative regulations, the Company may invest in other limited liability company and joint stock company to the extent of their own subscribed capital contribution. Subject to the approval of China Securities Regulatory Commission, the Company may establish, a wholly-owned subsidiary to carry out direct investment business.

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, general manager 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 issue shares to domestic investors and foreign investors after approval of the securities authority of the State Council or other relevant regulatory authorities.

Foreign investors mean those investors of foreign countries and regions of Hong Kong, Macau and Taiwan who subscribe for Shares issued by the Company; domestic investors referred to in the preceding paragraph mean those investors within the territory of the PRC (excluding investors of the regions referred to in the preceding sentence) who subscribe for Shares issued by the Company.

The Company may increase its capital in the following ways:

- (i) public offering of new shares ;

- (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, administrative regulations or relevant regulatory authorities.

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 PRC Company Law, other regulations and 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 which the Company need not convene the class shareholders' meeting to vote on, 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.

If two or more individuals registered as joint shareholders, they are treated as co-owners of any related shares with respect to the following requirements:

- (i) no more than four individuals can be registered as joint shareholders of any share;
- (ii) all joint shareholders of any share shall bear the joint and several liabilities for all amount of money due to the related share; and
- (iii) if one of the joint shareholders dies, only other living joint shareholders should be regarded as holding the ownership of the related share. However, the Board retains the right to ask for proper death certificate in order to change the register of shareholders.

In the regard of joint shareholders of any share, only the first rank one in the register of shareholders has the right to collect related share from the Company, receive notifications from the Company, attending the shareholders' general meeting of the Company, or exercise all voting rights of related shares. All notifications sent to this individual are treated as delivered to all joint shareholders of such related shares.

Unless specified otherwise in the Articles of Association, the holders of Domestic Shares and Foreign 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;

- (ii) the right to 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 or inquiries;
- (iv) the right to transfer Shares in accordance with the laws, administrative regulations, rules, regulatory documents, the regulatory requirements of the securities authorities on which the Shares are listed 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; and
- (vii) other rights conferred by laws, administrative regulations, rules, regulatory documents 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.

Where a shareholder, comes or probably comes to hold 5% or more than 5% of registered capital of the Company by means of subscribing, acceptance of transfer shares or hold shares of shareholders of company and any other arrangement, the shareholder shall notify the Company in advance and it may hold related proportion shares normally after the approval has been made by CSRC. In the case that the shareholder who holds or actually control 5% or more than 5% shares of the Company does not be approved by the CSRC in advance, the shareholder shall not have the right of voting with respect to such shares until the shareholder get the approved qualification. If the shareholder cannot be approved by the CSRC in one year, he/she should transfer such 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.

Share certificates of the Company shall be in registered form.

Share certificates of the Company shall be signed by the Chairman of the Board of the Company. Where the stock exchanges or the securities authority on which Shares are listed require the share certificates to be signed by the general manager or other senior officers of the Company, the share certificates shall also be signed by the general manager or other 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. The signatures of the Chairman of the Board, the general manager 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 has his share certificate stolen, lost or destroyed and applies for a replacement new share certificate, it shall be dealt with in accordance with relevant provisions of the PRC Company Law.

If a shareholder of Foreign Shares listed in Hong Kong has his share certificate stolen, lost or destroyed and applies for a replacement new share certificate, the issue of such certificate shall comply with the following requirements:

- (i) the applicant shall submit an application to the Company in the form prescribed by the Company accompanied by a notarial certificate or a statutory declaration stating the grounds upon which the application is made and the circumstances and evidence of the loss of the original certificate and declaring that no other person is entitled to be registered as a shareholder in respect of the Relevant Shares;
- (ii) before the Company decides to issue the replacement new share certificate, no statement made by any person other than the applicant declaring that he shall be registered as a shareholder in respect of the relevant shares has been received;
- (iii) the Company shall, if it decides to issue a replacement new share certificate to the applicant, make an announcement of its decision at least once every 30 days for a period of 90 days in such newspapers as may be designated by the Board;
- (iv) the Company shall have, prior to publication of its decision to issue a replacement new share certificate, delivered to the stock exchange on which its shares are listed a copy of the announcement to be published. The Company may publish the announcement upon receiving a confirmation from such stock exchange that the announcement has been exhibited in the premises of the stock exchange. The announcement shall be exhibited in the premises of the stock exchange for a period of 90 days. 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;
- (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; and
- (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*

In compliance with the laws, administrative regulations and department regulations, the company may exercise power to confiscate the dividends which nobody has been claimed only after the expiry of the relevant limitation period.

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 of the overseas listed foreign shares 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 and no dividend during that period has been claimed; and
- (ii) on expiry of the 12 years the Company, gives notice of its intention to sell the shares by way of an advertisement published in the newspapers and notifies the securities regulatory authorities where the Shares of the Company are listed of such intention.

Where power is taken to forfeit unclaimed dividends, that power shall not be exercised until 6 years or more after the date of declaration of the dividend.

(e) The Board

The Board 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 formulate the Company's proposed annual financial budget and final accounts;
- (v) to formulate the Company's profit distribution plan and plan for making up for losses;
- (vi) to formulate proposals for the increase or reduction of the Company's registered capital, the issue of corporate bond or other securities and the listing plan;
- (vii) to prepare plans for material acquisition, purchase of the Company's shares, merger, demerger, dissolution or change of the form of the Company;
- (viii) to decide on the Company's investment, transaction of assets, mortgage of assets, guarantee, entrust financing and related transaction with the authorization of the share holders' general meeting;
- (ix) to decide on the establishment of the Company's internal management structure;
- (x) to appoint or dismiss the Company's general manager, compliance officer and the secretary of the Board; pursuant to the Chairman of Board's or the general manager's nominations to appoint or dismiss the members of executive committee, financial charge, and other senior officers of the Company and to decide on their remuneration and benefits;
- (xi) to formulate the Company's basic management system;
- (xii) to formulate plans for the amendment of the Company's Articles of Association;
- (xiii) to deal with disclosures of information on the Company;
- (xiv) to propose to the shareholders' general meetings the appointment or replacement of the auditor of the Company;
- (xv) to receive work report submitted by the general manager of the Company and to review his performance;
- (xvi) to formulate the Company's compliance management system and other risk management system;

(xvii) to receive work report submitted by the compliance officer; and

(xviii) to exercise other functions and powers conferred at general meetings and by the laws, regulations and the Articles of Association.

Meetings of the Board shall be held regularly at least forth in each year and shall be convened by the Chairman of the Board. A written notice should be sent to all the Directors 14 days prior to the regular Board meeting. The irregular meetings of the Board are not subject to time limit of notice, but all the Directors and Supervisors should be given reasonable notice.

A quorum will be formed by more than half of the Directors attending in person and appointing another Director as his attorney. A Director shall attend the board meeting in person. 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 or her duties if he or she fails to attend two consecutive board meetings in person and fails to appoint an alternate Director to attend board meetings on his behalf. 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 must be passed by more than half of all the Directors. A Director should abstain from voting on the ground if 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) *board committees*

The Board shall set up risk management committee, audit committee, related party transactions control committee, strategy planning committee, nomination committee and remuneration and appraisal committee. All members of board committees composed of Directors. There shall be more than half independent Directors respectively in audit committee, nomination committee and remuneration and appraisal committee. Related party transactions control committee shall be composed of independent Directors.

(g) *Independent Directors*

Independent Directors shall meet the qualifications regulated by CSRC.

Independent Directors shall give their independent opinions on the matters of important associated transactions, if necessary, it has rights to report the CSRC office of the registered location of company or the principal office of the Company.

(h) Secretary of the Board

The secretary of the Board of the Company shall be a natural person with the necessary expertise and experience, and satisfies the requirements of CSRC. Directors or other senior management personnel other than independent Directors and Supervisors of the Company may concurrently hold the office of the secretary of the Board.

An accountant of the accounting firm engaged by the Company may not concurrently hold the office of the secretary of the Board.

(i) Supervisory Committee

The Company shall have a supervisory committee.

The supervisory committee shall be composed of five members, one of whom shall be the chairman of the supervisory committee. Meetings of the board of Supervisors shall be convened at least one times half a year. The chairman of the board of Supervisors shall be responsible for convening meetings of the board of Supervisors.

The election of the chairman of the supervisory committee and the resolutions 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 board of Supervisors shall be composed of shareholder representatives and appropriate proportion of staff representatives of the Company. The proportion of staff representatives of the Company shall be two fifths of the Supervisors.

The term of office of Supervisors shall be three years, renewable upon re-election. The Supervisors should have the qualification approved by the CSRC before holding the post. Company should not appoint persons who don't have the approved qualification to be Directors or Supervisors, and should not violate regulations to grant authorization to the person who don't have the approved qualification to actually execute the power.

The Directors, general manager, financial officer, other senior management personnel and such persons' close relatives and major social relations 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, if it has any doubt, professionals such as accounting firms and law firms may be hired to provide assistance at the expense of the Company;
- (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 behaviour, 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 PRC Company Law;

- (vi) to propose resolutions at a shareholders' general meeting;
- (vii) to institute a suit to the Directors or senior officers of the Company by laws;
- (viii) to verify such financial materials as financial reports, business reports and profit distribution plans that the Board intends to submit to the general meeting or to conduct investigation into any irregularities in the Company's operations identified; if it has any doubt, or if necessary, professionals such as accounting firms and law firms may be hired to provide assistance at the expense of the Company;
- (ix) to organise the departure auditing of a senior management personnel; and
- (x) other functions and powers set out in the law, administrative regulations and Articles of Association.

Supervisors may be present at meetings of the Board.

(j) General manager

The Company shall have one general manager, who shall be appointed and dismissed by the Board. The term of the general manager shall be 3 years. A general manager may be reelected upon the expiration of his/her term.

The general manager 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; to organise the implementation of the resolutions of the Board and report to the Board;
- (ii) to organise the implementation of the Company's annual business plan and investment plan;
- (iii) to draft the Company's basic management system;
- (iv) to formulate specific rules and regulations of the Company;
- (v) to draft plans for the establishment of the Company's internal management structure;
- (vi) to propose the appointment or dismissal of senior officers other than the general manager, compliance officer, secretary of the Board;
- (vii) to appoint and dismiss management personnel other than those required to be appointed or dismissed by the Board;
- (viii) to execute risk control system insure that satisfy the risk control indicator data formulated by CSRC; and
- (ix) other functions and powers conferred by laws, regulations, the Articles of Association and the Board and authorised by the Board.

(k) Executive Committee

The Company shall set up the executive committee.

The executive committee exercises the following functions and powers:

- (i) to implement the Company's business policy decided by the Board, to decide the important items in the operation of the company;
- (ii) to prepare and implement the Company's proposed annual financial budget plans;

- (iii) to prepare annual financial final accounts plan, profit distribution plan and plan for making up for losses of the Company;
- (iv) to prepare plans for the increase or reduction of the Company's registered capital, the issue of corporate bond;
- (v) to prepare plans for merger, demerger, dissolution or change of the form of the Company;
- (vi) to prepare the Company's business plans and investment, financing, disposal of assets plans and submit them to the Board for approval according to the limits of authority;
- (vii) to prepare plans for the establishment of the Company's management structure;
- (viii) to formulate and approve plans for employees' remuneration and benefits; and
- (ix) to exercise other functions and powers conferred by the Board.

(l) 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 5% to 10% of 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.

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.

(m) Settlement of Disputes

The Company shall act according to the following principles to settle disputes:

- (i) Whenever any disputes or claims arise between holders of the Foreign Shares and the Company, holders of the Foreign Shares and the Directors, Supervisors, general manager or other senior officers; or holders of the Foreign Shares and holders of Domestic Shares, based on the Articles of Association or any rights or obligations conferred or imposed by the PRC Company Law or any other laws and administrative regulations concerning the affairs of the Company, such disputes or claims shall be referred by the relevant parties to arbitration.

Where a dispute or claim of rights referred to in the preceding paragraph is referred to arbitration, the entire claim or dispute must be referred to arbitration, and all persons who have a cause of action based on the same facts giving rise to the dispute or claim or whose participation is necessary for the resolution of such dispute or claim, shall abide by the arbitration, provided that such person is the Company or the Company's shareholder, Director, Supervisor, general manager or other senior officer.

Disputes in relation to the definition of shareholders and disputes in relation to the shareholders' register need not be resolved by arbitration.

- (ii) a claimant shall elect arbitration at the China International Economic and Trade Arbitration Commission (CIETAC) in accordance with the arbitration rules of CIETAC or at the Hong Kong international arbitration in accordance with the securities arbitration rules of the Hong Kong international arbitration. Once a claimant refers a dispute or claim to arbitration, the other party must submit to the arbitral body elected by the claimant;

if a claimant shall elect arbitration at the Hong Kong international arbitration, any party may request for arbitration in Shenzhen in accordance with the securities arbitration rules of the Hong Kong international arbitration.

- (iii) If any disputes or claims of rights are settled by way of arbitration in accordance with the above (i), the laws of China shall apply save as otherwise provided in laws and administrative regulation.
- (iv) The award of an arbitral body shall be final, conclusive and binding on all parties.