

SHARES**SHARES AND REGISTERED CAPITAL**

The Company's shares are in form of equity.

The Company shall have ordinary shares at all times. The Company may set other types of shares subject to needs, upon approval by the authorities that are authorized by the State Council.

The issuing of shares by the Company shall be conducted on the principle of openness, fairness and justness, with each share of the same class bearing equal rights. The issuing conditions and price for each share of the same class issued at the same time shall be the same. Each share subscribed by any entity or individual shall be subscribed at the same price.

Upon approval of the securities regulatory authority of the State Council, the Company may issue shares to domestic investors and overseas investors. Upon approval by the securities regulatory authority of the State Council of the Company's plan for issuing domestic listed domestic shares and overseas listed foreign shares, the board of directors of the Company may arrange for implementation of such plan by means of separate issues. The Company's respective plans for issuing domestic listed domestic shares and overseas listed foreign shares in accordance with the preceding provision may be implemented respectively within fifteen (15) months upon the date of approval by the securities regulatory authority of the State Council. Where the Company issues overseas listed foreign shares and domestic investment shares within the total shares defined in the issuance plan, every such issue of shares shall be fully subscribed at one time. Where special circumstances make it impossible for full subscription at one time, the shares may be issued in several stages, subject to approval of the securities regulatory authority of the State Council.

INCREASE AND DECREASE IN SHARE CAPITAL

In accordance with the Relevant laws and regulations and subject to the passing of special resolutions at the general meeting of shareholders, the Company may increase its capital in the following ways to meet the needs of operations and business expansion:

- 1) offering new shares to non-specially-designated investors for subscription;
- 2) issuing new shares to existing shareholders;
- 3) issuing bonus shares to existing shareholders;
- 4) converting the capital reserve into capital;
- 5) any other means permitted by laws and administrative regulations.

Once the Company's increase of share capital by means of the issuance of new shares has been approved in accordance with the provisions of the Articles of Association, the issuance thereof shall be carried out in accordance with the procedures set out in the relevant laws and administrative regulations of the PRC.

Pursuant to the provisions of the Articles of Association, the Company may reduce its registered capital. The Company shall reduce its registered capital in compliance with the procedures as required by the Company Law and other relevant laws, regulations and this Articles of Association. The Company shall prepare a balance sheet and a list of assets when it reduces its registered capital.

The Company shall notify its creditors within 10 days from the date of the resolution on reduction in registered capital and shall publish an announcement in a newspaper within 30 days from the date of such resolution. A creditor shall have the right, within 30 days upon receipt of the notice from the Company or, in the case of a creditor who does not receive such notice, within 45 days of the date of the first announcement, to require the Company to repay its debt or to provide corresponding guarantee for such debt.

The registered capital of the Company following the reduction in capital shall not fall below the minimum statutory requirement.

REPURCHASE OF SHARES

The Company may, in accordance with the procedures of this Articles of Association and upon approval of the relevant competent authorities of the PRC, repurchase its shares under the following circumstances:

- 1) canceling its shares for the purpose of reducing its registered capital;
- 2) merging with another company which holds the shares of the Company;
- 3) granting shares as incentive to the staff of the Company;
- 4) acquiring the shares of shareholders who vote against any resolution adopted at the shareholders' general meeting on the merger or demerger of the Company and request the Company to acquire their shares; and
- 5) other circumstances permitted by laws and administrative regulations.

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

- 1) making a pro rata general offer of repurchase to all its shareholders;
- 2) repurchasing shares through public trading on a stock exchange;
- 3) repurchasing by an off-market agreement; or
- 4) other ways as permitted by laws, administrative regulations and the relevant competent authorities.

The Company shall obtain prior approval of the shareholders at a shareholders' general meeting in accordance with the provisions of the Articles of Association before it repurchases its shares by means of an off-market agreement. The Company may, by obtaining prior approval of the shareholders at a shareholders' general meeting in the same manner, discharge or vary a contract which has been entered into in the aforesaid manner, or waive its rights thereunder.

In the event that the Company has repurchased its shares under the circumstance set out in clause (1), such shares shall be canceled within 10 days from the date of repurchase, and for

circumstances set out in clauses (2) and (4), such shares shall be transferred or canceled within six months from the date of repurchase. Where the Company has repurchased its shares pursuant to clause (3), shares so repurchased shall not exceed 5% of the total issued shares of the Company and shall be transferred to employees within one year.

The Company's registered capital shall be deducted an amount equal to the aggregate par value of those canceled shares.

TRANSFER OF SHARES

Any paid up overseas listed foreign shares listed on the Hong Kong Stock Exchange are free to be transferred pursuant to the Articles of Association, provided that the Board may refuse to recognize any instrument of transfer without assigning any reason unless the following conditions are satisfied:

- 1) HK\$2.50 transfer fee (per transfer document) is paid to the Company, or a higher fee agreed by the Hong Kong Stock Exchange, for the registration of the transfer of shares and other documents relating to or affecting ownership;
- 2) the instrument of transfer only relates to the overseas listed foreign shares listed in Hong Kong;
- 3) the stamp duty on the instrument of transfer payable according to laws has been paid;
- 4) the relevant share certificates and the evidences reasonably required by the Board showing that the transferor has the right to transfer such shares have been provided;
- 5) if the shares are to be transferred to joint holders, the number of joint holders shall not exceed four;
- 6) the relevant shares shall be free from any company's liens; and
- 7) no transfer of share shall be made to a minor or to a person of unsound mind or a legally incapable person.

If the Company refuses to register any transfer of shares, it shall provide the transferor and the transferee of the shares with a notification of refusal in relation to the registration of such transfer within 2 months from the date of filing a formal application for such transfer.

FINANCIAL AID FOR PURCHASE OF SHARES OF THE COMPANY

The Company or its subsidiaries shall not offer any financial aid at any time by any means to purchasers or prospective purchasers of the Company's shares. Such purchasers of the Company's shares as mentioned above shall include those who directly or indirectly assume the obligations due to the purchase of the shares of the Company.

The Company or its subsidiaries shall not offer any financial aid at any time by any means in order to reduce or relieve the obligations of the aforesaid purchasers.

This Article does not apply to the circumstances as defined below:

- 1) where the Company provides the relevant financial aid in good faith for the benefit of the Company and the main purpose of the financial aid is not to purchase shares of the Company, or the financial aid is an incidental part of an overall plan of the Company;

- 2) lawful distribution of the Company's property in the form of dividends;
- 3) distribution of dividends in the form of shares;
- 4) reduction of registered capital, share acquisition, adjustment of shareholding structure, etc., in accordance with the Articles of Association;
- 5) provision of loans by the Company within its business scope and in normal business (provided that the provision does not lead to a reduction in the net assets of the Company or that even if it constitutes a reduction, the financial aid was paid out of the Company's distributable profits); and
- 6) provision of fund by the Company for an employee shareholding scheme (provided that the provision does not lead to a reduction in the net assets of the Company or that even if it constitutes a reduction, the financial aid was paid out of the Company's distributable profits).

SHAREHOLDERS AND SHAREHOLDERS' GENERAL MEETINGS

SHAREHOLDERS

Shareholders of the Company shall be persons who lawfully hold the shares of the Company and whose names are registered in the register of shareholders. Shareholders shall enjoy rights and undertake obligations according to the class and number of shares held by them. Shareholders who hold the same class of shares shall enjoy equal rights and undertake equal obligations.

Shareholders holding different classes of shares in the Company shall enjoy equal rights in any distribution made in dividends or any other form.

Holders of the ordinary shares of the Company shall have the following rights:

- 1) the right to receive dividends and other forms of benefit distributions in proportion to their shareholdings;
- 2) the right to attend or appoint a proxy to attend shareholders' general meetings and to exercise the voting right thereat;
- 3) the right to supervise and manage the Company's business operations, put forward proposals and raise inquiries;
- 4) the right to transfer, grant or pledge the shares held in accordance with laws, administrative regulations and provisions of the Articles of Association;
- 5) the right to access relevant information in accordance with laws and the provisions of the Articles of Association, including:
 1. a copy of the Articles of Association upon payment of the costs thereof;
 2. the right to inspect and copy, subject to payment of a reasonable charge:
 - (1) the register of all shareholders;
 - (2) the personal particulars of the Directors, Supervisors and senior management of the Company, including:
 - (a) the present and former name and alias;

- (b) the principal address (place of residence);
 - (c) the nationality;
 - (d) the full-time job and all other part-time jobs and duties;
 - (e) the identification documents and the numbers thereof.
- (3) the status of the share capital of the Company;
 - (4) the reports stating the aggregate par value, quantity, maximum and minimum prices paid in respect of each class of shares repurchased by the Company since the end of the last accounting year and the aggregate amount incurred by the Company for this purpose;
 - (5) the minutes of shareholders' general meetings;
 - (6) the copy of corporate bonds, the resolutions made at the meetings of the Board, the resolutions made at the meetings of the Supervisory Committee and financial accounting report (only available for reference by shareholders).
3. Where a shareholder request to inspect or obtain a copy of the relevant information set out in the preceding article, he shall provide the Company with written documents evidencing the class and number of shares held by him in the Company, and the Company shall provide the information as requested upon verification of the identification of such shareholder;
- 6) the right to request the Company to acquire the shares held by shareholders who vote against any resolution adopted at the shareholders' general meeting on the merger or demerger of the Company;
 - 7) in the event of the termination or liquidation of the Company, the right to participate in the distribution of the remaining property of the Company according to the number of shares held;
 - 8) other rights conferred by the laws, the administrative regulations and the Articles of Association.

Resolution of the general meeting or the Board shall be deemed as invalid if it is in violation of laws and administrative regulations. 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 this Articles of Association, or the content of a resolution is in breach of this Articles of Association, shareholders may petition to a court to rescind such resolutions within sixty days from the date on which such resolution is passed.

If a director and senior management personnel violates the laws, regulations or the provisions of the Articles during the performance of his/her duties to the Company and incurs losses to the Company, the shareholders holding individually or in aggregate 1% or more of the shares of the Company for a continued period of 180 days or more shall have the right to request in writing the supervisory committee to initiate legal action in a court; if the supervisory committee violates the laws, regulations or the provisions of the Articles during the performance of its duties to the Company and incurs losses to the Company, the shareholders may request in writing the board of directors to initiate

legal action in a court. If the supervisory committee or board of directors rejects to initiate legal action after receipt of the written request of the shareholders stipulated in the preceding paragraph, or fails to initiate action within 30 days after the date of receipt of the request, or any failure to immediately initiate action will result in irreparable damage to the interests of the Company in case of emergency, the shareholders as prescribed in the preceding paragraph shall, for the benefit of the Company and in its/his/their own name, have the right to directly initiate legal action in a court.

Where any person infringes the lawful interests of the Company and causes losses to the Company, the shareholders as prescribed in the first paragraph of this Article may initiate legal action in a court in accordance with the provisions of the preceding two paragraphs.

Where a director or senior management personnel violates the laws and regulations or the provisions of the Articles, the shareholders may initiate legal action in a court.

Shareholders of ordinary shares of the Company shall undertake the following obligations:

- (1) abiding by the laws, administrative regulations and the Articles;
- (2) making payment of the share capital according to the number of shares subscribed by them and the method of capital injection;
- (3) not to withdraw its shares unless in accordance with the laws and administrative regulations;
- (4) not to abuse their rights as a shareholder in infringing the interests of the Company or other shareholders; nor to abuse the status of the Company as an independent legal entity and limited liability of shareholders to impair the creditors' interests.

any shareholder who abuses his rights as a shareholder and causes any loss to the Company or any other shareholder shall be liable for indemnification of such loss according to law.

any shareholder who misuse the independent legal person status of the Company or his limited liability as a shareholder in evading debts and causes a serious damage to the interests of any creditor of the Company shall have a joint and several liability for the debts of the Company.

- (5) other obligations imposed by laws, administrative regulations and the Articles of Association.

Shareholders shall not assume any responsibility for further capital contribution other than the conditions agreed to by the subscribers of the relevant shares on subscription.

Except for the obligations as required by laws, regulations or the listing rules of the locality where shares of the Company are listed, the controlling shareholders shall not make any decisions that will impair the interests of all or some of the shareholders concerning the following aspects when they exercise their powers as shareholders by exercising their voting rights:

- (1) exempting the responsibility of the director and the supervisor to act in good faith for the maximum benefit of the Company;
- (2) approving the director and the supervisor to deprive the property of the Company (including but not limited to the opportunities favorable to the Company) in any form for their own benefits or for the benefits of others;

- (3) approving the director and the supervisor to deprive the individual rights and interests of other shareholders (including but not limited to any distribution rights, voting rights, but excluding the restructuring the Company which is submitted to the general meeting of shareholders for approval in accordance with the Articles) for their own benefits or for the benefit of others.

General provisions of Shareholders' General Meeting

The Shareholders' General Meeting is the organ of authority of the Company and shall exercise its functions:

- 1) to decide the Company's operational guidelines and investment schemes;
- 2) to elect and remove directors and to determine matters relating to the directors' remunerations;
- 3) to elect and remove supervisors not being shareholders' representatives and to determine matters relating to the supervisors' remunerations;
- 4) to consider and approve the reports of the Board;
- 5) to consider and approve the reports of the Supervisory Committee;
- 6) to consider and approve the Company's annual financial budgets and final accounts;
- 7) to consider and approve the Company's profit distribution plan and plan for making up losses;
- 8) to resolve on an increase or a reduction in the Company's registered capital;
- 9) to resolve on matters such as merger, demerger, reorganization, dissolution and liquidation of the Company;
- 10) to resolve on the issue of bonds by the Company;
- 11) to resolve on the appointment, dismissal or non-reappointment of the accounting firms;
- 12) to amend the Articles of Association;
- 13) to consider proposals put forward by any shareholder representing 3% or more of the Company's shares with voting rights;
- 14) to consider the purchases or sales of any material assets of the Company within a year in excess of 30% of the Company's audited net assets in the latest period;
- 15) to consider and approve matters relating to the external guarantees specified by the Article 61 of the Articles of Association;
- 16) to consider and approve share incentive plans;
- 17) to consider and approve matters relating to change of the use of proceeds;
- 18) to consider any other matters to be resolved by shareholders' general meeting as required by the laws, administrative regulations and the Articles of Association;

Any external guarantees provided by the Company shall be considered and approved by the Board or the Shareholders' General Meeting.

The provision of any security by the Company to any shareholder or effective controlling person of the Company, if any, must be approved at a general meeting through a resolution. When motions on providing guarantees for shareholders and effective controllers and their connected parties are being considered at the shareholders' general meeting, the shareholder or the shareholder under the control of the effective controller shall abstain from voting, and such resolution shall be voted by more than half of the voting shares of other shareholders present at the general meeting.

A shareholders' general meeting shall either be an annual general meeting or an extraordinary general meeting. Annual general meetings shall be held once every year and within six months from the close of the preceding financial year.

An extraordinary general meeting shall be convened by the Board within two months of the occurrence of any one of the following circumstances:

- 1) the number of directors is less than the number stipulated in the Company Law or two thirds of the number required in the Articles of Association;
- 2) when the losses of the Company not made up for amount to one-third of the total amount of its paid-in share capital;
- 3) where any shareholder individually or jointly holding 10% or more of the Company's total issued shares carrying voting rights requests in writing the convening of an extraordinary general meeting;
- 4) when considered necessary by the Board;
- 5) when requested by the Supervisory Committee;
- 6) other circumstances stipulated by laws, administrative regulations or the Articles of Association.

Convening of Shareholders' General Meeting

The Supervisory Committee may propose to the board of directors to convene an extraordinary general meeting in writing. The board of directors shall reply in writing as to whether or not it agrees to convene such extraordinary general meeting within 10 days upon receipt of the proposal in accordance with the laws, administrative regulations and provisions of these Articles.

If the board of directors agrees to convene an extraordinary general meeting, a notice of such meeting shall be issued within five days after a relevant resolution of the board of directors is passed. Approval of the Supervisory Committee must be sought if the proposal in the notice is different from the original proposal.

If the board of directors does not agree to convene an extraordinary general meeting, or fails to reply within 10 days upon receipt of the proposal, the board of directors shall be deemed to be unable, or to fail, to perform its duty to convene a shareholders' general meeting, and the Supervisory Committee may convene and preside over the shareholders' general meeting.

The following procedures shall be followed by the shareholders when requesting for convening of extraordinary general meetings or class meetings:

- 1) Shareholders who individually or collectively hold 10% or more of the shares carrying the right to vote at the meeting sought to be held may sign one or more written requests of

identical form and substance requesting the Board to convene an extraordinary general meeting or a class meeting and stating the subject of the meeting. The shareholding referred to above shall be calculated as of the date on which the written request is made by shareholder(s). The Board shall provide written feedback regarding the agreement or disagreement of convening the extraordinary general meeting within ten days after having received the above-mentioned written proposal in accordance with the laws, administrative regulations or the Articles of Association.

- 2) If the board of directors agrees to convene an extraordinary general meeting or class meeting, a notice of such meeting shall be issued within five days after a relevant resolution of the board of directors is passed. Approval of the Proposing Shareholders must be sought if the proposal in the notice is different from the original proposal.
- 3) If the board of directors does not agree to convene an extraordinary general meeting or class meeting, or fails to reply within 10 days upon receipt of the proposal, shareholders holding individually or jointly 10% or more of the Company's shares may propose to the Supervisory Committee to convene a general meeting in writing.
- 4) If the Supervisory Committee agrees to convene an extraordinary general meeting, a notice of such meeting shall be issued within 5 days upon receipt of the proposal. Approval of the Proposing Shareholders must be sought if the proposal in the notice is different from the original proposal.
- 5) If the Supervisory Committee does not issue the notice of such meeting within the prescribed period, it shall be deemed that the shareholders' general meeting will not be convened and presided over by the board of supervisors, and shareholders holding individually or jointly 10% or more of the Company's shares may have the discretion to convene and preside over the meeting. The procedure to convene the meeting shall be as close as possible to the procedure for convening a meeting by the Board.

All reasonable expenses incurred in convening and holding the meeting by shareholders due to the failure of the board of directors to hold such meeting in response to the aforesaid request shall be borne by the Company and shall be deducted from the amounts due by the Company to the defaulting director(s).

Proposals at the Shareholders' General Meeting

The Company convenes a general meeting, Shareholder(s) severally or jointly holding 3% or more of our outstanding shares carrying voting rights are entitled to submit written new proposals to the Company. Matters mentioned in proposals which are within the scope of the powers of the general meeting shall be included in the meeting agenda and submitted to the general meeting for consideration.

Where the Company convenes a general meeting, a written notice shall be given 45 days prior to the date of the meeting to notify all the Shareholders in the Shareholders' register of the issues to be considered at the meeting, and the date and venue of the meeting. Any Shareholder who intends to attend the meeting shall deliver to the Company a written reply stating his or her intention to attend 20 days prior to the meeting.

The Company shall, based on the written replies received twenty days before the date of convening the shareholders' general meeting, calculate the number of shares with voting right

represented by the shareholders who intend to attend the meeting. If the number of shares with voting rights represented by the shareholders who intend to attend the meeting reaches one half or more of the Company's total shares with voting rights, the Company may convene the shareholders' general meeting. Otherwise, the Company shall within five days notify the shareholders again by way of an announcement of the matters to be considered at, and the date and place for, the meeting. After giving notice by announcement, the Company may convene the meeting.

An extraordinary general meeting shall not make decisions on matters not stated in the notice of meeting.

Resolutions of the Shareholders' General Meetings

Shareholders (including proxies thereof) shall exercise their voting rights as per the voting Shares they represent. Each Share carries the right to one vote. The Company has no voting right for the Shares it holds, and such part of Shares shall be excluded from the total number of voting Shares represented by the Shareholders attending the general meeting.

Resolutions of shareholders' general meetings shall be classified as ordinary resolutions and special resolutions. To adopt an ordinary resolution, a majority of the voting rights represented by the shareholders (including proxies) present at the meeting must be cast in favor of the resolution. To adopt a special resolution, not less than two-thirds of the voting rights represented by the shareholders (including proxies) present at the meeting must be cast in favor of the resolution.

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

- 1) work reports of the Board and the Supervisory Committee;
- 2) plans for profit distribution and for making up losses prepared by the Board;
- 3) appointment or removal of directors and supervisors, and their remuneration and manner of payment thereof;
- 4) the Company's annual financial budgets and final accounts, balance sheets, income statements and other financial statements;
- 5) matters other than those required by the laws, administrative regulations or the Articles of Association to be approved by special resolution.

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

- 1) increase or reduction of the Company's share capital and issue of shares of any class, warrants and other similar securities;
- 2) issue of bonds of the Company;
- 3) demerger, merger, dissolution and liquidation;
- 4) change of corporate form of the Company;
- 5) purchases or sales of material assets of the Company or the amount guaranteed in excess of 30 percent of the audited total assets of the Company within a year;
- 6) amendment to the Articles of Association;

- 7) any other matters stipulated by the laws, administrative regulations or the Articles of Association or determined by an ordinary resolution at a shareholders' general meeting as having a material impact on the Company and requiring to be resolved by special resolution.

In case the shareholders' general meeting examines matters relating to connected transactions, the associated shareholder (or act as proxies of other shareholder) shall withdraw from the voting, its voting shares shall not be included in the total amount of valid voting shares. While the shareholders' general meeting examines connected transactions matters, the associated shareholders shall withdraw from the voting; where the meeting need the associated shareholders to give explanations, the associated shareholders bear the duty and obligation to make truthful explanation in the meeting. The meeting presider shall announce at the beginning of the meeting where there are matters that associated shareholders shall withdraw from voting.

Special Procedures for Voting by Class Shareholders

Shareholders holding different classes of shares shall be referred to as class shareholders. A holder of class shares shall, in accordance with the laws, administrative regulations and the Articles of Association, enjoy rights and assume obligations. Apart from the holders of other classes of shares, the holders of domestic shares and overseas listed foreign shares shall be taken to be shareholders of different classes.

Rights conferred to class shareholders may not be varied or abrogated unless approved by way of special resolution at a shareholders' general meeting and by the affected class shareholders at a separate shareholders' meeting convened in accordance with the Articles of Association.

The following circumstances shall be taken to be a variation or abrogation of the rights of shareholders of a particular class:

- 1) to increase or decrease the number of shares of such class, or to increase or decrease the number of shares of a class having a voting right or a right to dividends or other privileges equal or superior to the shares of such class;
- 2) to effect an exchange of all or part of the shares of such class into those of another class or to effect an exchange of or grant a right of exchange of all or part of the shares of another class into those of such class;
- 3) to remove or reduce the rights to acquire accrued dividends or cumulative dividends attached to the shares of such class;
- 4) to reduce or remove the rights with a priority to acquire dividends or property distribution during the liquidation of the Company attached to the shares of such class;
- 5) to add, remove or reduce the conversion, options, voting, transfer or pre-emptive rights or the rights to acquire securities of the Company attached to the shares of such class;
- 6) to remove or reduce the rights to receive payables from the Company in a particular currency attached to the shares of such class;
- 7) to create a new class of shares with voting right, right to dividends or other privileges equal or superior to those of the shares of such class;

- 8) to restrict the transfer of ownership of the shares of such class or to impose additional restrictions thereon;
- 9) to grant the right to subscribe for, or convert into, the shares of such or another class;
- 10) to increase the rights or privileges of the shares of another class;
- 11) to cause the holders of different classes of shares to bear a disproportionate burden of obligations during the restructuring scheme of the Company;
- 12) to vary or abrogate any provision of this Articles of Association.

Shareholders of the affected class, whether or not entitled to vote at general meetings, shall nevertheless be entitled to vote at class meetings in respect of matters concerning subparagraphs (2) to (8), (11) and (12) of Article 96, but interested shareholder(s) shall not be entitled to vote at class meetings.

Resolutions proposed at a class meeting shall be passed by shareholders present at the meeting representing two-thirds or more of the share interests with voting rights in accordance with the Article 87 of the Articles of Association.

The special procedures for voting by class shareholders shall not apply to the following circumstances:

- 1) where the Company issues, upon approval by way of a special resolution at a general meeting, either separately or concurrently once every twelve months, domestic shares and overseas listed foreign shares, to the extent that the number of the shares to be issued does not exceed twenty percent of the total number of the issued shares of their respective class;
- 2) where the Company's plan to issue domestic shares and overseas listed foreign shares upon its incorporation is completed within fifteen months from the date of approval by the supervisory authorities under the State Council.

Directors and the Board

Directors

Director shall be elected at general meetings. A Director shall serve a term of three years, and may seek reelection upon expiry of the said term.

The Director need not be the shareholders of the Company.

The term of office of a director shall start from the date on which the said director assumes office to the expiry of the current Board. If the term of office of a director expires but reelection is not made responsively, the said director shall continue fulfilling the duties as director pursuant to laws, administrative regulations, departmental rules and the Articles of Association until a new director is elected.

The Company shall have independent non-executive directors. Independent non-executive directors are the Directors who shall not act any other position other than being as independent non-executive directors and shall not have relationship with the Company or its substantial shareholders which may hinder their independent and objective judgment. At least one third of the members of the Board shall be independent non-executive directors and the total number shall not be

less than three, including at least one independent non-executive director who shall possess appropriate professional qualifications or appropriate accounting or related financial management expertise in compliance with the requirements of the Rule 3.10(2) of the Hong Kong Listing Rules.

The independent non-executive directors shall maintain the independence in compliance with the requirements of the Rule 3.13 of the Hong Kong Listing Rules.

The Board

The Company shall have a Board comprising of 9 Directors, with no less than three independent non-executive directors. The Board shall have one chairman and may have one vice-chairman who is elected by more than half of all directors.

The Board shall be accountable to the general meeting and exercise the following functions and powers:

- 1) to convene general meetings and report to general meetings;
- 2) to execute resolutions of general meetings;
- 3) to resolve on the Company's business plans and investment plans;
- 4) to prepare the annual financial budgets and final accounting plans of the Company;
- 5) to prepare the profit distribution plan and loss makeup plan of the Company;
- 6) to prepare plans for the increase or decrease of the registered capital of the Company and for the issuance of corporate bonds and other securities and listing scheme;
- 7) to formulate plans for repurchase of Shares of the Company, merger, division, dissolution or transformation of the Company;
- 8) to consider and approve the matters regarding the acquisition and disposal of significant assets with a value of no more than 30% of the latest audited total assets of the Company, and delegate the rights to the operation management to decide such matters as the case may be;
- 9) to appoint or dismiss the general manager; to decide to appoint or dismiss the Company's deputy general manager, chief accountant, chief engineer and other senior management as nominated by the general manager; to decide to appoint or dismiss the secretary of the Board as nominated by the chairman;
- 10) to determine matters regarding to the remunerations of the above-mentioned senior management;
- 11) to set up the basic management system of the Company;
- 12) to formulate the proposals for any amendment to the Articles of Association;
- 13) to decide on the establishment of the Company's internal management structure;
- 14) to decide on matters relating to the Company's investments, acquisitions or disposal of assets, financing and connected transactions as required by the Hong Kong Listing Rules;
- 15) to evaluate and determine the nature and extent of risks it is willing to take in achieving the Company's strategic objectives, and ensure that the Company establishes and maintains appropriate and effective risk management and internal control system;

constantly supervise the risk management and internal control system of the Company and ensure to review at least once a year the effectiveness of the risk management and internal control system of the Company and its subsidiaries;

- 16) to decide other major issues of the Company, other than the issues to be determined by the Shareholders' General Meeting as required by the Company Law and the Articles of Association;
- 17) to exercise other functions and powers as stipulated by the laws, administrative regulations, the Articles of Association and the Shareholders' General Meeting.

The Board may resolve on the issues specified in the preceding paragraph by approval of more than half of the Directors save for the issues specified in (6), (7), and (12), in which approval of two thirds of the Directors is required.

The chairman shall exercise the following functions and powers:

- 1) to preside over general meetings and to convene and preside over the Board meetings;
- 2) to supervise and urge and examine the implementation of the resolutions of the Board;
- 3) to sign the securities issued by the Company;
- 4) to exercise other functions and powers conferred by the Board.

Board meetings shall include the regular Board meetings and interim Board meetings. The Board shall notify the Supervisors to attend the Board meetings.

Board meetings shall be held regularly at least four times every year at approximately quarterly intervals, and shall be convened by the chairman, with the notice of meeting sent in writing to all the Director 14 days in advance. The regular Board meetings shall exclude approval from the Directors by signing in writing.

In any of the following circumstances, the chairman shall convene over an interim meeting of the Board within 10 days:

- 1) proposed by shareholders representing more than 1/10 of the voting rights;
- 2) proposed by the Chairman;
- 3) jointly proposed by more than one third of the Directors;
- 4) proposed by more than two independent non-executive directors;
- 5) proposed by the Supervisory Committee;
- 6) proposed by the general manager.

Board meetings shall be held regularly with the notice of meeting sent to all the Directors and Supervisors 14 days in advance, and the notice of interim meeting shall be sent to all Directors and Supervisors within a reasonable time before the convening of such meeting.

A Board meeting shall be effected and attended by more than one half of the Director or authorized representatives.

Every director shall have one vote. Resolutions made by the Board, unless otherwise specified by the laws, the administrative regulations and the Articles of Association, shall be passed by more than half of all Directors.

Director shall attend Board meetings in person. If any Director cannot attend the meeting for any reason, he may authorize in writing another Director to act on his behalf. The scope of authorization shall be specified in the power of attorney.

The Board shall keep minutes of resolutions on matters discussed at the meeting. The minutes shall be signed by the Director or its authorized representative present at the meeting and by the person who recorded the minutes.

The Director shall be responsible for the resolutions of the Board. If any resolution runs counter to the laws, administrative regulations or this Articles of Association, and causes any material losses to the Company, Director who votes for the said resolution shall be liable for compensation to the Company. If any Director raises an objection to the resolution and the said objection is recorded in the minutes, the said Director may be exempt from any liability.

If any director or any its associate (as defined in Hong Kong Listing Rules) has material interest with or has connection with the matters proposed at a board meeting, the director shall abstain from voting on the resolution and shall not vote on behalf of other director when considering such matters, and shall not be included in the quorum of the meeting. The board meeting may be held when more than half of the attending directors have no connection with the entity. The resolution of the board meeting shall be passed by more than half of the non-connected directors. If the number of non-connected directors attending the meetings is less than three, the matter shall be submitted to the shareholders' general meeting for approval. When submitting to the shareholders' general meeting for approval, the Board shall state its review and consideration for the proposal and shall record the opinions of unaffiliated directors' on such proposal.

Special Committees under the Board

The Company has set up special committees under the Board, such as the Audit and Risk Management Committee, the Nomination Committee and the Remuneration and Appraisal committee. The Board may set up other special committees and adjust existing committees as required.

The Board shall formulate rules of procedures for special committees with respect to its composition, duties, discussion procedures and etc.

Secretary to the Board of Directors

The Company shall have a secretary to the board, who shall be accountable to the Board. The secretary is a senior management of the Company.

The secretary to the Board should be a natural person who have the requisite professional knowledge and experience, and shall be nominated by the chairman and appointed or disappointed by the board.

The secretary to the Board shall mainly perform the following duties:

- 1) to ensure that the Company has complete organization documents and records; to keep and manage the shareholders' information; to assist the Directors to deal with the daily work of the Board;

- 2) to act as the contact of the Company with the securities regulatory authorities, to prepare and timely submit the reports and documents required by the regulatory authorities, to accept and perform the relevant tasks instructed by the regulatory authorities;
- 3) to prepare the meetings of the Board and the shareholders' general meetings, and to record at the meeting and to keep the documentation and records of the meeting;
- 4) to ensure that the shareholders' register of the Company is established appropriately and that the persons who have the right of access to the relevant records and documents of the Company obtain the same in due time.
- 5) to coordinate and organize the Company's information disclosure, and to establish sound the information disclosure system; to participate all meeting relating to the disclosure of information of the Company and to timely know the Company's major decisions and related information.

A director or senior management of the Company may concurrently act as the secretary to the Board. The accountant of the accounting firm appointed by the Company shall not act as secretary to the Board of the Company.

Where a director concurrently acts as the secretary to the Board of the Company and an act is required to be done by a director and the secretary to the Board of the Company separately, such person shall not act in both capacities of a director and a secretary to the Board of the Company.

General Manager and Other Senior Management

The Company shall have one general manager, several deputy general managers, one chief accountant, one chief engineer and one secretary to the Board, who shall be appointed or dismissed by the Board.

The general manager of the Company shall be accountable to the Board and exercise the following functions and powers:

- 1) to manage the business operations of the Company, and organize execution of the Board's resolutions;
- 2) to organize to execute the Company's annual business plans and investment plans;
- 3) to prepare the plan for the internal management setup of the Company;
- 4) to draft the basic management system of the Company;
- 5) to formulate the Company's specific rules;
- 6) to decide to appoint or dismiss executives other than those appointed or dismissed by the Board;
- 7) to propose to the Board to appoint or dismiss the deputy general manager, chief accountant and chief engineer of the Company;
- 8) to exercise other functions and powers conferred in this Articles of Association and by the Board.

The general manager of the Company shall attend Board meetings and, if not a Director, shall not have voting right thereat.

Supervisors and Supervisory Committee**Supervisors**

The members of the Supervisory Committee shall be consisted of 3 Shareholder representatives and 2 employee representatives. Shareholder representatives shall be elected or replaced at general meeting, and employee representatives shall be elected or removed democratically by employees of the Company.

The Director, general manager and other senior management of the Company shall not concurrently act as Supervisor.

Supervisory Committee

The Company shall have a Supervisory Committee and the Supervisory Committee shall be composed of five members. A Supervisor shall serve a term of three years and be reelected for successive terms. The Supervisory Committee shall have one chairman and the Chairman of the Supervisory Committee shall be appointed or removed by the votes of more than two thirds of the members of the Supervisory Committee.

The Supervisory Committee shall be accountable to all general meeting and exercise the following functions and powers:

- 1) to examine financial operations of the Company;
- 2) to supervise the performance of duties by the Director and senior management of the Company, and propose dismissal of Director and senior management who have violated laws, administrative regulations, this Articles of Association or the resolutions of general meetings;
- 3) to require Director and senior management to make corrections if their conduct has damaged the interests of the Company;
- 4) to review the financial reports, operating reports and profit distribution schemes to be submitted by the Board to the general meetings; to engage certified public accountants and practicing auditors in the name of the Company to assist reviewing if there is any doubt;
- 5) to propose the convening of extraordinary general meetings and, in case the Board does not perform the obligations to convene and preside over the general meetings as required by the Articles of Association, to convene and preside over the general meetings;
- 6) to propose motions to the general meeting;
- 7) to initiate legal proceedings against Director and senior management in accordance with the Company Law;
- 8) to exercise other functions and powers conferred in this Articles of Association and by the Board.

The supervisor is entitled to attend Board meetings, and make enquiry or suggestion regarding resolutions at Board meetings.

The supervisory committee shall meet at least once in every six months and the chairman of supervisory committee shall convene the meeting. The Supervisors may propose to convene an interim meeting of the supervisory committee; and notify all supervisors in writing ten days before the meeting.

A supervisory committee meeting shall not be held unless it is attended by more than two thirds of the members of the supervisory committee. If any supervisor cannot attend the meeting for any reason, he may authorize in writing another supervisor to act on his behalf. The scope of authorization shall be specified in the power of attorney.

The Resolution of the Supervisory Committee

Each supervisor has one vote. The resolution made by the supervisory committee shall be approved by more than two thirds of the members of the supervisory committee.

The Qualifications and Obligations of Directors, Supervisors and Senior Management of the Company

In any of the following circumstances, a person shall not serve as Director, Supervisor, general manager or other senior management of the Company:

- 1) without capacity or with limited capacity for civil conduct;
- 2) has been sentenced to criminal punishment due to corruption, bribery, embezzlement of property, misappropriation of property or disrupting the order of economy, and less than five years have elapsed since the punishment is fully executed; or has been deprived of political rights due to any criminal offenses and less than five years have elapsed since the punishment is fully executed;
- 3) has served as a Director, factory manager or manager of a company or an enterprise that is bankrupt and liquidated, and is personally liable for the bankruptcy of the company or enterprise, and less than three years have elapsed since the date of completion of the bankruptcy liquidation of the company or enterprise;
- 4) has served as the legal representative of a company or an enterprise whose Business License was revoked and ordered to close down due to illegal activities and was personally liable for such punishment, and less than three years has elapsed since the date of revocation of the business license of the company or enterprise;
- 5) has large amount of overdue debts;
- 6) is under investigation by the judiciary authority for violation of the criminal law;
- 7) is disqualified as corporate leader in laws and administrative regulations;
- 8) is not a natural person;
- 9) was ruled by the relevant regulatory authority that he has violated the relevant securities regulations and committed any fraudulent or dishonest act, and less than five years have elapsed since such ruling was made;
- 10) was involved in other circumstances as prescribed by the laws and regulations of the jurisdiction where the shares of the Company are listed.

The validity of an act of a Director, general manager and other senior management of the Company on behalf of the Company for a bona fide third person is not affected by any incompliance in the appointment, election or qualification thereof.

In fulfilling duties, the Director, supervisor, the general manager and other senior management shall observe the principle of honesty and shall not set themselves in a position where their own

interests conflict with their obligations. The said principle includes (but not limited to) the following obligations:

- 1) to sincerely act in the best interest of the Company;
- 2) to exercise powers within his terms of reference without ultra vires;
- 3) to exercise the discretion vested in him personally and not to allow himself to act under the control of any other party; unless permitted by laws and administrative regulations or with the informed consent of the shareholders' general meeting, delegation of discretionary powers to others is prohibited;
- 4) to treat shareholders of the same class equally and to treat shareholders of different classes fairly;
- 5) unless otherwise provided in the Articles of Association or with the informed approval of the shareholders' general meeting, not to enter into any contract, transaction or arrangement with the Company;
- 6) not to use the Company's assets for personal benefits in any manner without the informed consent of the shareholders' general meeting;
- 7) not to use his authority to accept bribes or other illegal income or embezzle the Company's property in any manner, including (but not limited to) any opportunity favorable to the Company;
- 8) not to accept commissions in connection with the Company's transactions without the informed consent of the shareholders' general meeting;
- 9) to comply with the Articles of Association, to perform duties faithfully, to safeguard the Company's interests and not to seek personal gains by taking advantage of his position and authority in the Company;
- 10) not to compete with the Company in any way without the informed consent of the shareholders' general meeting;
- 11) not to misappropriate the Company's funds and not to set up accounts in his own name or in the any other names for depositing the Company's assets; not violate the provisions of the Articles of Association, and not to lend such funds to any other persons and not to provide guarantees for the debts of shareholders of the Company or any other personal liabilities with the assets of the Company without the consent of the shareholders' general meeting and the Board; and
- 12) not to release any confidential information in relation to the Company which he has obtained during his term of office without the informed consent of the shareholders' general meeting; not to use such information other than for the benefit of the Company, save that such information may be disclosed to the court or other competent authorities of the government if:
 1. stipulated by laws;
 2. required in the public interests;
 3. required in the interests of the relevant directors, supervisors, general manager and other senior management.

The Company shall be entitled to the income gained by the directors from any of the acts listed above; the one shall be liable for compensation if any loss is caused to the Company.

Where a director, supervisor, general manager or other senior management of the Company is, directly or indirectly, materially interested in a concluded or contemplated contract, transaction or arrangement with the Company (other than his contract of service with the Company), he shall declare the nature and extent of his interests to the Board as soon as possible, whether or not such matter is subject to the approval or consent of the Board under normal circumstances.

The Company shall not in any manner pay taxes for or on behalf of a Director, supervisor, general manager and any other senior management.

The Company shall not directly or indirectly extend a loan to or provide any guarantee in connect with the extension of a loan to a Director, supervisor, general manager and other senior management personnel of the Company and its shareholders or any of their respective associates.

The following transactions are not subject to the above prohibition:

- (1) The provision by the Company of a loan or a guarantee of a loan to its subsidiaries;
- (2) The provision by the Company of a loan or a guarantee of a loan or any other funds to any of its Directors, supervisors, president and other senior management personnel to meet expenditure incurred by him for the purposes of the Company or for the purpose of enabling him to perform his duties, in accordance with the service contract approved by the shareholders in Shareholders' general meeting.
- (3) the Company may make a loan to or provide a loan guarantee to any of the relevant Directors, supervisors, president and other senior management personnel or their respective associates on normal commercial terms, provided that the ordinary course of business of the Company should include the lending of money or the provision of loan guarantees.

A loan made by the Company in breach of the preceding Article shall be forthwith repayable by the recipient of the loan regardless of the terms of the loan.

In addition to any rights and remedies provided by the laws and administrative regulations, where a director, supervisor, general manager or other senior management of the Company is in breach of his duties owed to the Company, the Company shall have a right to:

- 1) demand such director, supervisor, general manager or other senior management to compensate the Company for the losses sustained thereby as a result of such breach;
- 2) rescind any contract or transaction which has been entered into by the Company with such director, supervisor, general manager or other senior management or with a third party (where such third party knows or should have known that such director, supervisor or senior management has breached his duties owed to the Company);
- 3) demand such director, supervisor, general manager or other senior management to surrender profits made as a result of the breach of his duties;
- 4) recover any monies received by the director, supervisor, general manager or other senior management which should have been received by the Company, including (but without limitation to) commissions;

- 5) demand repayment of interest earned or which may have been earned by such director, supervisor, general manager or other senior management on the monies that should have been paid to the Company.

The Company shall, with the prior approval of the shareholders' general meeting, enter into a contract in writing with a director or supervisor regarding his emoluments.

The contracts concerning emoluments entered into between the Company and its directors or supervisors shall provide that in the event that the Company is acquired, the Company's directors and supervisors shall, subject to the prior approval of the shareholders' general meeting, have the right to receive compensation or other payment in respect of his loss of office or retirement.

Financial and Accounting System and Profit Distribution

Financial and Accounting System

The Company shall establish its financial and accounting system in accordance with the laws, administrative regulations and PRC accounting standards formulated by the competent finance authorities of the State Council.

The financial statements of the Company shall be prepared in accordance with both the PRC accounting standards and regulations and the international accounting standards, or those of the overseas place where the Company's shares are listed. If there is any material difference between the financial statements prepared respectively in accordance with the two accounting standards, such difference shall be stated in the notes to the financial statements. In distributing its profits after tax for an accounting year, the lower of the two amounts shown in the financial statements shall be adopted.

Any interim results or financial information published or disclosed by the Company shall be prepared and presented in accordance with the PRC accounting standards and regulations, and also in accordance with either international accounting standards or those of the overseas place where the Company's shares are listed.

The Company shall announce its financial reports twice each accounting year in accordance with international or overseas listing accounting standards, such as publish its interim financial report within two months after the expiration of the first six months of each accounting year and dispatch its annual financial report within four months after the end of an accounting year.

The Company shall not maintain accounts separately other than those provided by the laws.

Distribution of Profits

In distributing the current year's profit after tax, 10% of the profit shall be allocated to the Company's statutory reserve fund. When the aggregate amount of the statutory reserve fund has reached 50% or more of the Company's registered capital, further appropriations are not required.

If the statutory reserve fund of the Company is insufficient to make up the losses of the previous year, the profits of the current year shall be used to make up such losses before allocating to the statutory reserve fund in accordance with the preceding paragraph.

After allocation of its profits after tax to its statutory reserve fund, the Company may allocate its profits after tax to its discretionary reserve fund upon a resolution of the shareholders' general meeting.

The remaining profits after tax after the Company has made up its losses and allocated to its reserve funds may be distributed to its shareholders in proportion to their shareholdings according to the resolution of the shareholders' meeting of the Company.

If a shareholders' general meeting has, in violation of the preceding paragraph, distributed profits to shareholders before making up losses and allocating to the statutory reserve fund, shareholders shall return to the Company the profits distributed in violation of the provisions.

The shares held by the Company shall not be entitled to any profit distribution.

The capital reserve fund shall include the following amounts:

- 1) the premiums received when shares are issued at a premium to their par value;
- 2) any other income required to be included in the capital reserve fund by the competent finance authorities of the State Council.

The Company's reserve funds shall be used to make up the losses or expand the production operations, or be converted to increase the share capital of the Company. However, the capital reserve fund shall not be used to make up the losses of the Company.

When the statutory reserve fund is converted into capital, the remainder of the fund shall not be less than 25% of the Company's registered capital prior to such conversion.

The Company may distribute dividends in the form of cash or shares.

The Company shall appoint a receiving agent for the holders of overseas listed foreign shares. The receiving agent shall receive on behalf of such shareholders any dividends or other amounts payable by the Company to them in respect of the overseas listed foreign shares, and shall keep such amounts to pay the relevant shareholders.

The receiving agent appointed by the Company shall satisfy the requirements of the laws of the place where the Company's shares are listed or the rules of the relevant stock exchange.

The receiving agent appointed by the Company for holders of overseas listed foreign shares listed in Hong Kong shall be a trust company registered under the Trustee Ordinance of Hong Kong.

Appointment of Accounting Firms

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

The accounting firm appointed by the Company shall hold office for a period commencing from the conclusion of this annual general meeting until the conclusion of the next annual general meeting.

The accounting firm for conducting the annual audit appointed by the Company shall have the following rights:

- 1) the right to review the books, records and vouchers of the Company at any time; and the right to require the directors, general manager or other senior management of the Company to supply relevant information and explanations;
- 2) the right to require the Company to take all reasonable steps to obtain from its subsidiaries such information and explanations necessary for the accounting firm to discharge its duties; and
- 3) the right to be in attendance at shareholders' meetings and to receive all notices of, and other communications relating to, any shareholders' meeting which any shareholder is entitled to receive, and to speak at any shareholders' meeting on matters concerning its role as the Company's accounting firm.

The shareholders' general meeting may by ordinary resolution remove an accounting firm before the expiration of its term of office, irrespective of the provisions in the contract between the accounting firm and the Company. If the accounting firm has the right to claim compensation for its removal, that right shall not be affected thereby.

The remuneration of an accounting firm or the manner in which such remuneration is determined shall be decided by a shareholders' general meeting. The remuneration of the accounting firm appointed by the Board shall be determined by the Board.

If the Company proposes to remove an accounting firm or not to renew the appointment thereof, it shall notify the accounting firm in advance, and the latter shall have the right to state its opinions at a shareholders' general meeting. If the accounting firm resigns, it shall explain to the shareholders' general meeting whether there has been any impropriety on the part of the Company.

The accounting firm may resign from its office by depositing a written notice of resignation at the legal address of the Company. The notice shall become effective on the date of such deposit or on such later date as may be stated therein. The notice shall contain the following statements:

- 1) a statement to the effect that there are no circumstances connected with its resignation which it considers shall be brought to the notice of the shareholders or creditors of the Company; or
- 2) a statement of any such circumstances that shall be explained.

The Company shall, within fourteen days after receipt of the notice referred to in the second paragraph of this Article, send a copy of the notice to the relevant competent authorities. If the notice contains a statement under the preceding Article, a copy of such statement shall be placed at the Company for shareholders' inspection. The Company shall also send a copy of such statement by prepaid mail to every holder of overseas listed foreign Shares at the address registered in the register of shareholders.

If the accounting firm's notice of resignation contains a statement of any such circumstances that shall be explained, the accounting firm may request the Board to convene an extraordinary general meeting to listen to the explanation on the resignation.

Dissolution and Liquidation of the Company

In any of the following circumstances, the Company shall be dissolved and liquidated according to the laws:

- 1) the term of operation expires;
- 2) a shareholders' general meeting resolves to dissolve the Company;
- 3) dissolution is necessary due to a merger or demerger of the Company;
- 4) the Company is declared bankrupt according to the law due to its failure to settle liabilities due;
- 5) the business license of the Company is revoked and the Company is ordered to close down or canceled according to the laws;
- 6) where the Company has experienced material difficulties in operation and management, and the continuous operation thereof would lead to substantial loss to the benefits of its shareholders which cannot be resolved by other means, shareholders holding 10% or more of the total voting rights of the Company may appeal to the people's court for dissolution of the Company.

Where the Company is dissolved pursuant to sub-paragraph (1), (2), (4) and (5) of the preceding Article, a liquidation committee shall be established to commence liquidation within 15 days from the date of occurrence of events giving rise to dissolution, and the composition of the liquidation committee shall be determined by an ordinary resolution at a shareholders' general meeting. In case no liquidation committee is established within the specified period to commence liquidation, the creditors may apply to the People's Court to designate relevant persons to form a liquidation committee and commence liquidation.

Where the Company is dissolved pursuant to sub-paragraphs (4) of the preceding Article, the people's court shall, according to the relevant laws, organize the shareholders, relevant authorities and relevant professionals to establish a liquidation committee to carry out the liquidation.

Where the Company is dissolved pursuant to sub-paragraph (5) of the preceding Article, the relevant competent authorities shall organize the shareholders, relevant authorities and relevant professionals to establish a liquidation committee to carry out the liquidation.

Where the Board decides to liquidate the Company for any reason other than the Company's declaration of its own bankruptcy, 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 its debts in full within twelve months from the commencement of the liquidation.

All the functions and powers of the Board shall cease immediately upon the establishment of a liquidation committee. During the liquidation period, the Company shall not commence any new business activities.

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

- 1) to sort out the Company's assets and prepare a balance sheet and a list of assets respectively;

- 2) to notify creditors by sending notice or by making an announcement;
- 3) to dispose of and liquidate any unfinished businesses of the Company;
- 4) to pay outstanding taxes as well as taxes arising in the course of the liquidation;
- 5) to settle claims and debts;
- 6) to dispose of the remaining assets of the Company after the repayment of debts; and
- 7) to represent the Company in any civil proceedings.

The liquidation committee shall notify all creditors within 10 days after its establishment and shall make newspaper announcements within 60 days. Creditors should, within 30 days from the date of receipt of notice, or (if no written notice is received in person) within 45 days from the date of the first notice, claim for their creditors' rights to the liquidation group.

Creditors, when filing their claims, should illustrate those claim-related issues and provide supporting documentation thereon. The liquidation group should register such claims.

The liquidation committee shall not settle the debts to creditors during the creditor's claim period.

After sorting out the Company's assets and preparing a balance sheet and a list of assets, the liquidation committee shall formulate a liquidation plan and submit it to a shareholders' general meeting or to the relevant competent authorities for confirmation.

The remaining assets of the Company after settlement of payments of liquidation expenses, unpaid staff wages and social insurance expenses, outstanding taxes and the Company's debts, shall be distributed to shareholders of the Company according to the class of shares held by them and in proportion to their respective shareholdings.

During the liquidation period, the Company shall not commence any new business activities and business activities not relating to the liquidation. The assets of the Company shall not be allocated to the shareholders before conducting settlement of payments in accordance with the preceding Article.

If, after sorting out the Company's assets and preparing a balance sheet and a list of assets in connection with the liquidation of the Company due to its dissolution, the liquidation committee discovers that the Company's assets are insufficient to repay the Company's debts in full, it shall immediately apply to the people's court for a declaration of bankruptcy.

After the Company is declared bankrupt by a ruling of the people's court, the liquidation committee shall hand over all matters arising from the liquidation to the people's court.

Upon completion of the liquidation, the liquidation committee shall prepare a liquidation report, a statement of the income and expenses during the liquidation period and financial accounts, which shall be verified by PRC certified public accountants, and then submit them to a shareholders' general meeting or to the relevant competent authorities for confirmation.

The liquidation committee shall, within thirty days after such confirmation given by the shareholders' general meeting or other relevant competent authorities, submit the aforesaid documents to the company registration authorities and apply for cancelation of registration of the Company, and publish an announcement relating to the termination of the Company.

Amendments to the Articles of Association

The Company shall amend the Articles of Association in accordance with the laws, administrative regulations and the requirements of the Articles.

Any amendment to this Articles of Association involving anything set out in the Mandatory Provisions shall become effective upon approval by the company approval department authorized by the State Council and the Securities Commission of the State Council. If there is any change relating to the registered particulars of the Company, application shall be made for the changes in accordance with the laws.

Settlement of Disputes

The Company shall abide by the following principles for settlement of disputes:

- 1) any disputes or claims of rights between the holders of the overseas listed foreign shares and the Company, the holders of the overseas listed foreign shares and the Company's directors, supervisors, general manager or other senior management, or the holders of the overseas listed foreign shares and the holders of domestic shares arising from any rights or obligations under the Articles of Association, the Company Law, other relevant laws or administrative regulations or in connection with the affairs of the Company, shall be referred by the relevant parties to arbitration.

Where the aforesaid disputes or claims of rights are referred to arbitration, the entire claims or disputes must be referred to arbitration, and all persons who have a cause of action based on the same facts giving rise to the disputes or claims or whose participation is necessary for the resolution of such disputes or claims, shall, where such person is the Company or a shareholder, director, supervisor, general manager or other senior management of the Company, submit to the arbitration.

Disputes over the definition of shareholders and the register of shareholders need not be resolved by arbitration.

- 2) a claimant may elect arbitration to be carried out at either the China International Economic and Trade Arbitration Commission in accordance with its rules or the Hong Kong International Arbitration Center in accordance with its Securities Arbitration Rules. Once a claimant refers a dispute or a claim to arbitration, the other party must conduct arbitration at the arbitral body elected by the claimant. If a claimant elects arbitration to be carried out at the Hong Kong International Arbitration Center, any party to the dispute or claim may apply for a hearing to take place in Shenzhen in accordance with the Securities Arbitration Rules of the Hong Kong International Arbitration Center.
- 3) if any disputes or claims of rights are settled by way of arbitration in accordance with subparagraph (1) above, the laws of the People's Republic of China (excluding Hong Kong Special Administrative Region, Macao Special Administrative Region and Taiwan) shall apply, save as otherwise provided in laws and administrative regulations.
- 4) the award of an arbitral body shall be final and binding on all parties.