

APPENDIX V

SUMMARY OF ARTICLES OF ASSOCIATION

This appendix contains the summary of the principal provisions of the Articles of Association. The main purpose of this appendix is to provide an overview of the Company's Articles of Association for potential investors, so it may not contain all the information that is important to potential investors.

SHARES

Issuance of Shares

The issuance of the Company's shares follows the principles of openness, fairness and impartiality. Each share of the same class enjoys the same rights. For shares of the same class issued at the same time, the issuance conditions and prices for each share are the same. Subscribers shall pay the same amount for each share they subscribe for. The shares issued by the Company are denominated in RMB with equal value per share. The nominal value of each share is RMB0.1.

Increase, Decrease and Repurchase of Shares

The Company may increase capital based on the needs of operation and development and in accordance with the requirements of laws and regulations and resolution on the shareholders' meeting, by any of the following ways:

- (1) issuance of shares to unspecified parties;
- (2) issuance of shares to specified parties;
- (3) distribution of new shares or offering new shares to existing shareholders;
- (4) conversion of capital reserve into share capital;
- (5) other means as required by laws, administrative regulations, the Listing Rules, or as approved by the CSRC.

The Company may reduce its registered capital. The reduction in the registered capital shall be made in accordance with the procedures set out in the Company Law, the Listing Rules and other relevant regulations and the Articles of Association.

The Company shall not repurchase its own shares except in the following circumstances:

- (1) reducing its registered capital;
- (2) merger with another company which holds the shares of the Company;
- (3) use of the shares for employee stock ownership plan or equity incentive;
- (4) request to the Company to acquire the shares from shareholders who vote against any resolution adopted at the shareholders' general meeting on the merger or demerger of the Company;
- (5) conversion of shares into the convertible corporate bonds issued by the Company;
- (6) being necessary for the Company to maintain its value and the equity of shareholders;
- (7) any other circumstances permitted by the laws, administrative regulations, and securities regulatory rules of the place where the Company's shares are listed.

Transfer of Shares

Shares of the Company shall be transferred in accordance with the law. Shares of the Company that were issued prior to a public issue shall not be transferred within one year from the date on which shares of the Company are listed and traded on the stock exchange. Where the Listing Rules or relevant regulations of the listing authority have other provisions governing the transfer of company shares held by shareholders of a listed company, those provisions shall prevail.

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Directors and senior management of the Company shall report to the Company their holdings of shares of the Company and the changes thereof. During their term of office confirmed at the assumption of the position, the shares transferred by any of them each year shall not exceed 25% of the total shares of the same class of the Company held by them; the shares of the Company held by the aforesaid persons shall not be transferred within one year from the date on which the shares of the Company are listed and traded. The above personnel shall not transfer the shares of the Company held by them within half a year after they leave the Company.

SHAREHOLDERS AND SHAREHOLDERS' MEETING

Shareholders

The shareholders of the Company shall be entitled to the following rights:

- (1) to receive dividends and other benefit distributions in proportion to the number of shares they held;
- (2) to require, convene, chair, attend or appoint a proxy to attend a shareholders' general meeting and exercise the corresponding voting rights in accordance with the laws;
- (3) to supervise and manage the operations of the Company, and to put forward suggestions or raise enquiries;
- (4) to transfer, bestow or pledge shares held by them in accordance with the laws, administrative regulations, the Listing Rules and the provisions of Articles of Association;
- (5) to inspect and duplicate the Articles of Association, registers of shareholders, the minutes of shareholders' general meetings, resolutions of the Board meetings and the financial accounting reports. Eligible shareholders may inspect the Company's accounting books and vouchers;
- (6) in the event of the termination or liquidation of the Company, the right to participate in the distribution of the remaining assets of the Company in proportion to the number of shares held;
- (7) with respect to shareholders who voted against any resolution adopted at the shareholders' general meeting on the merger or demerger of the Company, the right to demand the Company to acquire the shares held by them;
- (8) any other rights stipulated in the laws, administrative regulations, departmental rules, regulatory rules where the Company's shares are listed or the Articles of Association.

If any resolution of the shareholders' general meetings or the Board violates the laws and administrative regulations, the shareholders have the right to request the people's court to invalidate the resolution. If the convening procedure and voting method of the shareholders' general meetings or the Board meetings violate laws, administrative regulations or the Articles of Association, or the contents of a resolution run counter to the Articles of Association, the shareholders have the right to request the people's court to revoke the resolution within 60 days from the date of the resolution. However, it does not apply if such procedures for shareholder general meetings and meetings of the Board of Directors or the method of voting at such meetings have only minor flaws that have no substantial impact on the resolution. Any shareholder who fails to be notified to attend the shareholders' general meetings may, within 60 days as of the day when it knows or ought to know that the resolution of the shareholders' general meeting is made, request the people's court to revoke the resolution. If the right of revocation is not exercised within one year as of the date when the resolution is made, it shall be relinquished.

If any director or senior management other than members of the Audit Committee violates the provisions of laws, administrative regulations or the Articles of Association in fulfilling their duties, thereby incurring any loss to the Company, the shareholder(s) severally or jointly holding more than 1% of the Company's shares for more than 180 consecutive days shall have the right to submit a written request to the Audit Committee to institute legal proceedings to the people's court; if the members of the Audit Committee violates the laws, administrative

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regulations or the Articles of Association in fulfilling their duties, thereby incurring any loss to the Company, the aforementioned shareholders shall have the right to request the Board in writing to institute legal proceedings to the people's court.

Upon receipt of shareholders' written request as stipulated in the preceding paragraph, if the Audit Committee or the Board of Directors refuses to file a lawsuit or fails to file a lawsuit within 30 days from receipt of such request, or in the event of emergency where the interest of the Company will suffer irreparable damages if lawsuit is not filed immediately, the shareholders as stipulated in the preceding paragraph shall have the right to file a lawsuit directly with the people's court in their own name for the interest of the Company. Where the directors, supervisors or senior management of a wholly-owned subsidiary of the Company are involved in any of the circumstances prescribed in the preceding Article, or any other person infringes upon the legitimate rights and interests of a wholly-owned subsidiary of the Company and resulted in damages, the shareholders holding more than 1% of the shares of the Company individually or in aggregate for over 180 consecutive days may, in accordance with the provisions of the preceding three paragraphs of this Article, submit a written request to the supervisory committee or the board of directors of the wholly-owned subsidiary to file a lawsuit with the people's court or directly file a lawsuit with the people's court in their own name.

The shareholders of the Company shall undertake the following obligations:

- (1) to abide by laws, administrative regulations, and the Articles of Association;
- (2) to pay subscription monies according to the number of shares subscribed and the method of subscription;
- (3) not to withdraw from the shares unless otherwise stipulated by the laws and regulations;
- (4) not to abuse shareholders' rights to harm the interests of the Company or other shareholders; and not to abuse the Company's position as an independent legal person and the limited liability of shareholders to harm the interests of the creditors of the Company;
- (5) to undertake other obligations stipulated in the laws, administrative regulations, regulatory rules where the Company's shares are listed and the Articles of Association.

Shareholders of the Company who abuse their shareholder's rights and thereby cause loss on the Company or other shareholders shall be liable for indemnity according to the law; where shareholders of the Company abuse the Company's position as an independent legal person and the limited liability of shareholders for the purposes of evading repayment of debts, thereby materially impairing the interests of the creditors of the Company, such shareholders shall be jointly liable for the debts owed by the Company.

General Provisions of Shareholders' Meeting

The shareholders' meeting is the organ of authority of the Company and shall exercise the following functions and powers in accordance with the law:

- (1) to elect and replace directors and to determine matters relating to the remuneration of the directors;
- (2) to consider and approve the reports of the Board of Directors;
- (3) to consider and approve the Company's profit distribution plan and plan for recovery of losses;
- (4) to make resolutions on increase or reduction of the Company's registered capital;
- (5) to make resolutions on the issuance of corporate bonds;

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- (6) to make resolutions on the merger, demerger, dissolution, liquidation or change of corporate form of the Company;
- (7) to amend the Articles of Association;
- (8) to make resolutions on the hiring, dismissal, and not being rehired of the Company's accounting firm;
- (9) to consider and approve the matters of guarantee stipulated in the Articles of Association;
- (10) to consider and approve the matters in relation to purchase or sale of major assets by the Company with the amount exceeding 30% of the Company's latest audited total assets within twelve months;
- (11) to consider equity incentive schemes and employee stock ownership plan;
- (12) to consider and approve the matters relating to the Company's repurchase of its shares that are required by laws, regulations and the Articles of Association to be considered by the shareholders' meeting;
- (13) to consider other matters which, in accordance with the laws, administrative regulations, departmental rules, the Listing Rules or the Articles of Association, shall be approved by the shareholders' general meetings.

The following external guarantees provided by the Company shall be submitted to the shareholders' meeting for review after being considered and approved by the Board:

- (1) any guarantee to be provided after the total amount of external guarantees by the Company and its holding subsidiaries exceeds 50% of the latest audited net assets of the Company;
- (2) any guarantee to be provided after the total amount of external guarantees by the Company and its holding subsidiaries exceeds 30% of the latest audited total assets;
- (3) any guarantee by the Company to others within a consecutive twelve-month period with guaranteed amount in excess of 30% of the latest audited total assets of the Company;
- (4) any guarantee to be provided to a recipient of such security whose debt-to-asset ratio is over 70%;
- (5) any single guarantee with an amount exceeding 10% of the latest audited net assets of the Company;
- (6) any guarantee provided to shareholders and their connected parties;
- (7) any other guarantees to be reviewed by the shareholders' meeting as required by relevant laws, administrative regulations, departmental rules, regulatory rules where the Company's shares are listed or the Articles of Association.

The shareholders' meetings consist of annual general meetings and extraordinary general meetings. Annual general meetings are held once every year and within six months from the previous fiscal year end.

Under any of the following circumstances, the Company shall convene an extraordinary general meeting within two months from the date of occurrence:

- (1) when the number of directors is less than the minimum number stipulated in Company Law or two-thirds of the number specified in the Articles of Association;
- (2) when the unrecovered losses of the Company amount to one third of the total amount of its paid-in share capital;

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- (3) when any shareholder holding more than 10% of the Company's shares individually or collectively makes a request;
- (4) when deemed necessary by the Board of Directors;
- (5) when proposed by the Audit Committee;
- (6) any other circumstances stipulated in the laws, administrative regulations, departmental rules, or the Articles of Association.

Convening of Shareholders' General Meetings

For a shareholders' general meeting convened by the Audit Committee or shareholders on its/their own initiative, the Board of Directors shall provide cooperation.

Proposals and Notices of Shareholders' General Meetings

The content of proposals shall fall within the functions and powers of the shareholders' general meetings, have clear subject for discussion and specific matters to be resolved and comply with relevant requirements of the laws, administrative regulations, and the Articles of Association.

Holding of Shareholders' General Meetings

The Company's Board and other conveners shall take necessary measures to ensure the normal order of the shareholders' general meetings. Measures shall also be adopted to stop any acts from interfering with the shareholders' general meeting, creating quarrels and nuisance as well as infringing the lawful interests of the shareholders while timely report of the same shall also be made to the relevant authority for investigation.

All shareholders of the Company or their proxies registered on the equity registration date shall have the right to attend the shareholders' general meeting and exercise their voting rights in accordance with relevant laws, regulations, and the Articles of Association.

A shareholders' meeting shall be chaired by the chairman of the Board of Directors. In the event that the chairman is unable or fails to perform his/her duties, a director jointly nominated by more than half of the directors shall preside over the meeting.

The shareholders may attend shareholders' meetings in person and appoint one or several proxies to attend and vote on their behalf.

The shareholders' meetings shall have minutes, which shall be recorded by the Board of Directors. The minutes of the meeting shall contain the following information:

- (1) the date, venue and agenda of the meeting, and the name of the convener;
- (2) the name of the presider of the meeting, and the directors, the general managers and other senior management personnel attending or present at the meeting;
- (3) the number of shareholders and their proxies attending the meeting, the total number of voting shares held by them and the proportion of these shares to the total number of shares of the Company;
- (4) the consideration process of each proposal, summaries of the speeches and the voting results;
- (5) details of the inquiries or recommendations of the shareholders, and the corresponding responses or explanations;
- (6) the names of the counter and the scrutineer;
- (7) other contents that should be recorded in the minutes as provided in the Articles of Association.

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The directors attending the meeting, the convener or representative thereof, and the presider of the meeting shall sign the minutes of the meeting, and shall ensure that the contents of the minutes are true, accurate and complete. The minutes of meeting shall be kept for a term of not less than 10 years together with the book of signatures of the shareholders attending the meeting, the power of attorney of the attending proxies, the valid information on voting by internet and other methods.

Voting and Resolutions of Shareholders' Meetings

Resolutions of shareholders' general meeting shall consist of ordinary resolutions and special resolutions.

Ordinary resolutions of the shareholders' meeting shall be passed by more than half of the voting rights held by the shareholders present at the meeting.

Special resolutions of the shareholders' meeting shall be passed by more than two-thirds of the voting rights held by the shareholders present at the meeting.

The following matters shall be approved by ordinary resolutions at a shareholders' meeting:

- (1) work reports of the Board of Directors;
- (2) plans for profit distribution and recovery of losses formulated by the Board of Directors;
- (3) election, replacement and dismissal of directors and decision on matters relating to the remuneration of the directors;
- (4) any matters other than those required to be approved by special resolution by the laws, administrative regulations, regulatory rules where the Company's shares are listed or the Articles of Association.

The following matters shall be approved by special resolutions at a shareholders' general meeting:

- (1) increase or reduction of the registered capital;
- (2) demerger, merger, changes of corporate form, dissolution and liquidation of the Company;
- (3) amendment to the Articles of Association;
- (4) purchase or disposal of material assets or provision of guarantee by the Company within the consecutive twelve months with the transaction amount exceeding 30% of the Company's latest audited total assets;
- (5) consideration and approval of equity incentive plan and employee stock ownership plan;
- (6) any other matters prescribed by the laws, administrative regulations, or the Articles of Association, and other matters that are confirmed by ordinary resolution at a shareholders' general meeting as having a material impact on the Company and are required to be approved by a special resolution.

Resolutions in respect of the election of directors at a shareholders' meeting may be passed by way of cumulative voting according to the provisions of the Articles of Association or the resolutions of the shareholders' meetings.

The cumulative voting system means that when directors are being elected at a shareholders' meeting, each share has as many voting rights as the candidates for directors, and the shareholders' voting rights may be used in a concentrated manner. The Board of Directors shall disclose to the shareholders the resumes and basic information of the candidates.

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Except for the cumulative voting system, the shareholders' meeting shall vote on all proposals one by one. If there are different proposals on the same matter, the voting shall be carried out in the order in which the proposals were submitted.

BOARD OF DIRECTORS

Directors

A director of the Company shall be a natural person. Any person involved in any of the following circumstances shall not serve as director of the Company:

- (1) a person without or with limited capacity for civil conduct;
- (2) a person who has been sentenced to any criminal penalty for corruption, bribery, infringement of property, misappropriation of property or disrupting the economic order of the socialist market, where less than 5 years have elapsed since the completion of the enforcement of the penalty, or who has been deprived of his/her political rights due to criminal offense, where less than 5 years have elapsed since the completion of the enforcement of the penalty, or who has been declared to be under suspension of sentence, where less than 2 years have elapsed since the end of the period of suspension of sentence;
- (3) a person who is a former director, factory manager or manager of a bankrupt and liquidated company or enterprise whereby such person is personally liable for the bankruptcy of such company or enterprise, and where less than 3 years have elapsed since the date of completion of the bankruptcy and liquidation of such company or enterprise;
- (4) a person who is a former legal representative of a company or enterprise, whose business license was revoked or which was ordered to close down due to violation of law and who is personally liable for such violation, where less than 3 years have elapsed since the date of the revocation of business license or the making of the order to close down of such company or enterprise;
- (5) a person who has been listed as a dishonest person by the people's court due to having a relatively large amount of debts which have become overdue;
- (6) a person who is banned from entering the securities market or deemed inappropriate to take the post of director by the CSRC, where the term of punishment or judgment has not yet expired;
- (7) any other circumstances as provided by the laws, administrative regulations, department rules.

Where the election, appointment of directors violates the provisions of the Articles of Association, the election, appointment or engagement shall be invalid. Where directors fall under the circumstances referred to in this Article during his/her tenure, the Company shall terminate his/her appointment.

Directors shall be elected or replaced at the shareholders' general meetings for a term of three years. Upon maturity of the term of office, a director shall be eligible for re-election and re-appointment.

Directors shall owe the following fiduciary duties to the Company:

- (1) not to misappropriate the Company's property or embezzle the Company's funds;
- (2) not to deposit the Company's assets or funds into accounts opened in their own name or in the name of any other individuals;
- (3) not to use their functions and powers to accept bribes or other unlawful income;

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- (4) not to directly or indirectly enter into contracts or conduct transactions with the Company if such matter is not reported to the Board or the shareholders' meeting and approved by a resolution of the Board or the shareholders' meeting in accordance with the provisions of the Articles of Association;
- (5) not to use their position to seek business opportunities belonging to the Company for themselves or for others, except where such matter has been reported to the Board or the shareholders' meeting and approved by a resolution of the shareholders' meeting, or where the Company is unable to take advantage of such business opportunities in accordance with laws, administrative regulations or the Articles of Association;
- (6) not to engage in or operate on behalf of others any business of the same kind as that of the Company, unless such activity has been reported to the Board or the shareholders' meeting and has been approved by a resolution of the shareholders' meeting;
- (7) not to accept commissions from transactions between others and the Company for personal gains;
- (8) not to disclose the Company's secrets without authorization;
- (9) not to take advantage of their connected relationship to damage the interests of the Company;
- (10) other fiduciary duties stipulated in laws, administrative regulations, departmental rules, and the Articles of Association.

Any income obtained by a director in violation of the provisions of this Article shall belong to the Company; if such violation causes losses to the Company, the director shall be liable for compensation. The provisions of item (4) of the preceding paragraph shall apply to contracts or transactions between any close relatives of directors or senior management, enterprises directly or indirectly controlled by directors, senior management or their respective close relatives, and connected persons who have other connected relationships with directors or senior management and the Company.

Directors shall comply with laws, administrative regulations and the Articles of Association, owe a duty of diligence to the Company and perform their duties with a reasonable degree of care that a manager should have normally for the best interests of the Company.

Directors shall owe the following diligence duties to the Company:

- (1) to exercise the rights granted by the Company in a prudent, conscientious and diligent manner to ensure that the Company's business activities comply with the national laws, administrative regulations and requirements of national economic policies and that such business activities do not exceed the scope of business as specified in the business license;
- (2) to treat all shareholders fairly;
- (3) to understand the business operation and management of the Company in a timely manner;
- (4) to sign written confirmation opinions on the Company's regular reports;
- (5) to truthfully provide relevant information and materials to the Audit Committee, and not to obstruct the Audit Committee from exercising its powers;
- (6) other diligence duties as stipulated by laws, administrative regulations, departmental rules, and the Articles of Association.

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Board of Directors

The Company shall have a Board, which is composed of 7 directors, and shall have one chairman of the Board, who shall be elected by more than half of all directors of the Company, and three independent non-executive directors.

The Board shall exercise the following functions and powers:

- (1) to convene shareholders' meetings, and submit work reports to the shareholders' meeting;
- (2) to implement the resolutions of shareholders' meetings;
- (3) to resolve on the Company's annual and quarterly business plans, investment plans, operating budgets, and strategic plans;
- (4) to formulate the Company's profit distribution plans and loss recovery plans;
- (5) to formulate the Company's plans for increase or reduction of registered capital, issuance of bonds or other securities and listing plans;
- (6) to formulate the Company's plans for significant acquisition, acquisition of the Company's shares or merger, division, dissolution and change in corporate form;
- (7) to decide, within the scope of the authorization delegated by the shareholders' meeting, on the Company's external investments, acquisition and disposal of assets, mortgage of assets, external guarantees, entrusted financial management, connected party transactions and charitable donation etc.;
- (8) to decide on the establishment of the Company's internal management organizations;
- (9) to decide on the appointment or dismissal of the general manager and other senior management members of the Company, and to decide on their remunerations, incentives and penalties; to decide on the appointment or dismissal of senior management members such as chief financial officer of the Company based on the nominations by the general manager, and to decide on their remunerations, incentives and penalties;
- (10) to formulate the basic management system of the Company;
- (11) to formulate the proposals for amendments to the Articles of Association;
- (12) to make a material change to accounting methods or policies, or appoint or replace the Company's auditor (referring to a certified public accounting firm registered in China and approved by the board of directors);
- (13) to listen to work reports of the general manager of the Company and inspect his/her work;
- (14) other functions and powers granted by laws, administrative regulations, departmental rules, regulatory rules where the Company's shares are listed or the Articles of Association.

The chairman of the Board shall exercise the following functions and powers:

- (1) to preside over shareholders' meetings and convene and preside over meetings of the Board;
- (2) to supervise and inspect the implementation of the resolutions of the Board;
- (3) other functions and powers granted by the Board, laws, administrative regulations, or regulatory rules where the Company's shares are listed.

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Board meetings consist of regular meetings and *ad hoc* meetings. The Board shall hold at least two meetings each year, convened by the chairman of the Board. Regular Board meetings shall be notified to all directors in writing 10 days prior to the meeting. For *ad hoc* meetings convened by the Board, written notice shall be given to all directors 3 days prior to the meeting.

Shareholders representing more than one-tenth of the voting rights, more than one-third of the directors or the Audit Committee may propose to convene an *ad hoc* meeting of the Board. The chairman of the Board shall convene and preside over the Board meeting within 10 days after receipt of the proposal.

A Board meeting shall be held only when more than half of the directors are present. Resolutions of the Board shall be passed by a majority vote of all directors. Each director shall have one vote on Board resolutions.

If directors are connected to the enterprises involved in the matters resolved at the Board meeting, such directors shall promptly report in writing to the Board. The directors with connected relationship shall not exercise voting rights on the resolution, nor shall they exercise voting rights on behalf of other directors. The Board meeting may be held if more than half of the directors with no connected relationship are present, and resolutions made at the Board meeting shall be passed by more than half of the directors with no connected relationship. If the number of directors with no connected relationship present at the Board meeting is less than 3, the matter shall be submitted to the shareholders' meeting for review.

Special Committees of the Board

The Board of the Company shall establish an Audit Committee to exercise the functions and powers of the board of supervisors as stipulated in the Company Law.

The Audit Committee consists of three members, including independent non-executive directors who are not senior management members of the Company, among whom there are two independent non-executive directors. The chairman of the Audit Committee shall be an accounting professional among the independent non-executive directors.

The Audit Committee shall be responsible for reviewing the financial information and disclosure of the Company, supervising and evaluating internal and external audit work and internal controls. The following matters shall be submitted to the Board for review after being approved by more than half of all members of the Audit Committee:

- (1) to disclose financial information in financial accounting reports and periodical reports and internal control evaluation reports;
- (2) to engage or dismiss accounting firms which provide audit services to the Company;
- (3) to appoint or dismiss the chief financial officer of the Company;
- (4) to make changes in accounting policies and accounting estimates or corrections of major accounting errors due to reasons other than changes in accounting standards;
- (5) other matters stipulated by laws, administrative regulations, the Listing Rules and the Articles of Association.

The Audit Committee shall convene a meeting at least once every quarter, and may convene an extraordinary meeting when two or more members propose to convene the meeting or the chairman deems it necessary. A meeting of the Audit Committee shall be held only when more than two-thirds of the members of the Audit Committee are present.

Resolutions of the Audit Committee shall be passed by a majority vote of the members of the Audit Committee. Any voting on resolutions of the Audit Committee shall be conducted on a one-person-one-vote basis. Any minutes of the meeting for the resolutions of the Audit Committee shall be prepared in accordance with regulations, and the members of the Audit Committee present at the meeting shall sign the minutes of the meeting. Any working procedures of the Audit Committee shall be formulated by the Board.

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General Manager and Other Senior Management Members

The Company shall appoint one general manager and one chief financial officer. The general manager, chief financial officer, chief medical officer, chief technology officer, and other managerial personnel confirmed by the board of directors through deliberation constitute the company's senior management Members.

The general manager shall serve for a term of three years, and may be re-elected and re-appointed upon the expiration of his/her term of office.

FINANCIAL ACCOUNTING SYSTEM, PROFIT DISTRIBUTION AND AUDIT

Financial Accounting System

The Company shall formulate its financial accounting system in accordance with laws, administrative regulations, and regulations of relevant national departments.

The Company shall not set up separate accounting books other than its statutory accounting books. No assets of the Company shall be deposited into any account opened in the name of any individual.

Profit Distribution

When distributing the current year's after-tax profits, the Company shall set aside 10% of its profits for the Company's statutory common reserve fund. Where the cumulative amount of the statutory common reserve fund of the Company has reached not less than 50% of the Company's registered capital, it may no longer be allocated. When the Company's statutory common reserve fund is not sufficient to make up for the Company's losses for the previous years, the current year's profits shall first be used to make up for the losses before any allocation is set aside for the statutory common reserve fund in accordance with the preceding paragraph.

After the Company has made allocations to the statutory common reserve fund from its after-tax profits, it may, upon passing a resolution at a shareholders' meeting, make further allocations from its after-tax profits to the discretionary common reserve fund.

After the Company has made up for its losses and made allocations to its common reserve fund, the remaining after-tax profits shall be distributed in accordance with the profit distribution plan considered and approved at the shareholders' meeting.

Where the shareholders' meeting distributes profits to shareholders in violation of the provisions of the Company Law and the Articles of Association, shareholders shall refund to the Company the profits distributed in violation of the provisions; if any losses are caused to the Company, shareholders and responsible directors and senior management shall be liable for compensation.

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

Appointment of Accounting Firm

The Company shall engage an accounting firm that complies with securities law to perform services such as the audit of financial statements, verification of net assets and other related consulting services. The engagement term is one year and may be renewed.

The appointment or dismissal of the accounting firm shall be decided by the shareholders' meeting. The Board shall not appoint an accounting firm before the shareholders' meeting makes a decision.

The Company shall guarantee that any accounting vouchers, accounting books, financial accounting reports and other accounting information provided to the accounting firm engaged are true and complete, and that it shall not refuse or withhold any such information or provide any false information.

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Any audit fees of the accounting firm shall be determined by the shareholders' meeting. The Company shall notify the accounting firm 15 days in advance when dismissing or ceasing to renew the appointment of the accounting firm. The accounting firm shall be allowed to state its opinions when the shareholders' meeting of the Company votes on dismissing the accounting firm. Where the accounting firm proposes to resign, it shall explain to the shareholders' meeting whether there are any irregularities in the Company.

MERGER, DIVISION, CAPITAL INCREASE, CAPITAL REDUCTION, DISSOLUTION AND LIQUIDATION

Merger, Division, Capital Increase and Capital Reduction

Merger of the Company may take the form of absorption or establishment of a new company. In the case of merger by absorption, a company absorbs any other company and the absorbed company is dissolved. In the case of merger by establishment of a new company, two or more companies merge into a new one and the parties to the merger are dissolved.

Where the Company is involved in a merger, the parties to the merger shall enter into a merger agreement, and a balance sheet and an inventory of assets shall be prepared.

When the Company is merged, the claims and debts of each party to the merger shall be inherited by the surviving company or the newly established company after the merger. Where there is a division of the Company, its assets shall be divided accordingly.

Where the Company needs to reduce its registered capital, a balance sheet and an inventory of assets shall be prepared.

When the Company reduces its registered capital, it shall correspondingly reduce its capital contributions or shares based on the capital reduction plan made in accordance with the resolution of the shareholders' meeting.

Where a merger or division of the Company results in any changes in the registered items, such changes shall be registered with the company registration authority in accordance with the law. Where the Company is dissolved, cancelation of the Company's registration shall be applied for in accordance with the law. Where a new company is established, the registration of such company's establishment shall be applied for in accordance with the law. Where the Company increases or reduces its registered capital, it shall apply for the registration of change with the company registration authority in accordance with the law.

Dissolution And Liquidation

In any of the following circumstances, the Company shall be dissolved and liquidated in accordance with the law:

- (1) the business term stipulated in the Articles of Association expires, or any other cause for dissolution prescribed herein arises;
- (2) the shareholders' meeting resolves to dissolve the Company;
- (3) dissolution is necessary due to merger or division of the Company;
- (4) the Company has had its business license revoked or has been ordered to close down or canceled in accordance with the law;
- (5) where the Company encounters serious difficulties in its operations or management that will lead to significant losses to the benefits of shareholders if the Company continues its existence and the situation cannot be resolved by other means, the Company is dissolved by a people's court in response to the request of shareholders who hold 10% or more of the voting rights of the Company.

If any of the circumstances where the Company is dissolved as stipulated in the preceding paragraph occurs, the circumstance leading to the liquidation shall be announced through the National Enterprise Credit Information Publicity System within 10 days. If the Company is

APPENDIX V

SUMMARY OF ARTICLES OF ASSOCIATION

dissolved due to the provisions of items (1), (2), (4) and (5) of the preceding paragraph, a liquidation group shall be established within 15 days from the date of occurrence of the circumstance leading to the liquidation to commence liquidation.

The liquidation group shall notify creditors within 10 days after its establishment, and shall, within 60 days, publish an announcement on a newspaper or the National Enterprise Credit Information Publicity System. Creditors shall, within 30 days from the receipt of the notice or, if they do not receive the notice, within 45 days from the date of the announcement, declare their claims to the liquidation group.

After sorting out the assets of the Company and preparing a balance sheet and an inventory of assets, if the liquidation group discovers that the assets of the Company are insufficient to repay its debts, it shall apply to the people's court for bankruptcy and liquidation in accordance with the law. After the people's court accepts the bankruptcy application, the liquidation group shall hand over the liquidation affairs to the bankruptcy administrator designated by the people's court.

Where the Company is declared bankrupt according to law, bankruptcy liquidation shall be carried out in accordance with relevant laws concerning enterprise bankruptcy.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION

In any of the following circumstances, the Company shall amend the Articles of Association:

- (1) after amendments have been made to the Company Law or relevant laws, administrative regulations, and other regulatory rules of the place where the shares of the Company are listed, the provisions of the Articles of Association conflict with the provisions of the amended laws, administrative regulations;
- (2) there is a change in the situation of the Company, which is inconsistent with the matters recorded in the Articles of Association;
- (3) the shareholders' meeting decides to amend the Articles of Association.

Any amendments to the Articles of Association approved by the resolution of the shareholders' meeting shall be submitted to the competent authorities for approval if they are subject to approval by the competent authorities. If such amendments involve the registered items of the Company, an application shall be made for the registration of change in accordance with the law.