

Set out below is a summary of the principal provisions of the Articles of Association which have incorporated the Mandatory Provisions as supplemented by the Opinion Regarding the Supplemental Amendments to the Articles of Association of Companies to be Listed in Hong Kong jointly promulgated by the CSRC and the State Commission for Restructuring the Economic System of the PRC and necessarily amended pursuant to the newly amended Company Law, and which were adopted at an extraordinary general meeting of the Company held on 7th February, 2006. Copies of the full Chinese text of the Articles of Association are available for inspection as mentioned in the paragraph headed “Documents available for inspection” in Appendix VI to this document.

(a) DIRECTORS AND OTHER OFFICERS

(i) Power to allot and issue shares

There is no provision in the Articles of Association empowering the Directors to allot and issue shares.

In order to increase the share capital of the Company, the Board is responsible for formulating proposal for an allotment of shares in the Company, and submitting the same to shareholders in general meeting for their approval by way of a special resolution. The Directors shall then submit the proposal for the share allotment to the securities regulatory authorities of the State Council for approval, and, subject to such approval being obtained, make separate arrangements to implement the share allotment.

Subject to the relevant PRC laws and regulations, the Company may by special resolution at a general meeting authorise the Directors to allot or issue, either separately or concurrently once every 12 months, not more than 20% of each of the existing issued domestic shares and overseas listed foreign shares of the Company.

(ii) Power to dispose of the assets of the Company or of any of its subsidiaries

The Board shall not, without the prior approval of shareholders in general meeting, dispose or agree to dispose of any fixed assets of the Company if the aggregate of:

- (aa) the expected value of the fixed assets proposed to be disposed of; and
- (bb) the total consideration received by the Company for all disposals of fixed assets which took place within the period of four months immediately preceding the proposed disposal,

exceeds 33% of the value of the Company’s fixed assets as shown in the last balance sheet placed before the shareholders in general meeting.

The validity of a disposal of fixed assets by the Company shall not be affected by a breach of this provision.

For the purposes of this provision, disposal includes an act involving the transfer of an interest in fixed assets other than by way of security.

(iii) Compensation for payments for loss of office

The Company shall, with the prior approval of shareholders in general meeting, enter into a contract in writing with a Director, Supervisor or senior officer wherein his emoluments are stipulated. The aforesaid emoluments include:

- (1) emoluments in respect of his service as Director, Supervisor or senior officer of the Company or any of its subsidiaries;
- (2) emoluments in respect of the provision of other services in connection with the management of the affairs of the Company and any of its subsidiaries; and
- (3) payment by way of compensation for loss of office, or as consideration for or in connection with his retirement from office.

The contract concerning the emoluments between the Company and its Directors or Supervisors should provide that, in the event of a takeover of the Company, the Company's Directors and Supervisors shall, subject to the prior approval of the shareholders in general meeting, have the right to receive compensation or other payment in respect of his loss of office or retirement. A "takeover of the Company" refers to in this paragraph means any one of the following circumstances:

- (aa) an offer made by any person to all shareholders of the Company; or
- (bb) an offer made by any person with a view to the offeror becoming a controlling shareholder (as defined in the Articles of Association) of the Company.

If the relevant Director or Supervisor does not comply with the above provision, any such compensation or payment received by him shall belong to those persons who have sold their shares as a result of the said offer made, and the expenses incurred in distributing the monies pro rata amongst those persons shall be borne by the relevant Director or Supervisor and shall not be deducted out of the monies to be distributed.

(iv) Loans to Directors, Supervisors and other officers

The Company is prohibited from directly or indirectly making a loan or providing any guarantee in connection with a loan made to a Director, Supervisor, manager or other senior officer of the Company or of the Company's holding company or any of their respective associates as described in the Articles of Association.

However, the following transactions are not subject to such prohibition:

- (aa) the provision of a loan or a guarantee for a loan by the Company to a company which is a subsidiary of the Company;
- (bb) the provision by the Company to a Director, Supervisor, manager or other senior officer pursuant to an employment contract approved by its shareholders in general meeting of a loan or a guarantee for a loan or other funds to meet expenditure incurred by him in the interest of the Company or for the purpose of enabling him to perform his duties for the Company; and

- (cc) where the ordinary course of business of the Company includes the lending of money or the giving of guarantees, the Company may make a loan to or provide a guarantee for a loan to a Director, Supervisor, manager or other senior administrative officer or persons connected with them (as described in subparagraph (vi) below), provided that the terms of the loan or the guarantee for a loan are on normal commercial terms.

A loan made by the Company in breach of the prohibition described above shall be forthwith repayable by the recipient of the loan regardless of the terms of the loan.

A guarantee provided by the Company in breach of the prohibition described above shall be unenforceable against the Company, except in the following circumstances:

- (aa) the lender was not aware of the relevant facts that at the time the loan was advanced to the connected person of a Director, Supervisor, manager or other senior administrative officer of the Company or its holding company; and
- (bb) the security provided by the Company has been lawfully disposed of by the lender to a bona fide purchaser.

For the purpose of the foregoing provisions, a guarantee includes giving an undertaking of obligations or provision of security to secure the performance of obligations by the obligor.

(v) Financial assistance for the acquisition of shares in the Company

Subject to the exceptions provided in the Articles of Association, where a person is purchasing or proposing to purchase shares in the Company, the Company and its subsidiaries shall not at any time and in any manner give any financial assistance to that person. The aforesaid purchaser of shares includes a person who directly or indirectly assumes obligations by virtue of such purchase of shares. The Company and its subsidiaries shall not at any time and in any manner give financial assistance for the purposes of reducing or discharging such obligations.

The following transactions are not prohibited:

- (aa) the provision of financial assistance by the Company in good faith in the interest of the Company and the principal purpose of that assistance is not to acquire shares in the Company, or that financial assistance is an incidental part of some larger overall plan of the Company;
- (bb) a lawful distribution of the Company's assets by way of dividend;
- (cc) the distribution of dividend by way of an allotment of bonus shares;
- (dd) a reduction of the Company's registered capital, repurchase of shares or reorganisation of the share capital in accordance with the Articles of Association;
- (ee) the lending of money by the Company within its scope of operations and for the ordinary operation of its business, provided that the Company's net assets are not thereby reduced or, to the extent that those assets are thereby reduced, the financial assistance is provided out of distributable profits of the Company; and

- (ff) the provision of moneys by the Company for contribution to employees' share scheme, provided that the Company's net assets are not thereby reduced or, to the extent that those assets are thereby reduced, the financial assistance is provided out of distributable profits of the Company.

For the purpose of the Articles of Association,

- (aa) "financial assistance" includes (but is not limited to) financial assistance provided:
- (i) by way of gift;
 - (ii) by way of guarantee (including the provision of an undertaking or property to secure the performance of obligations by the obligor), indemnity (other than an indemnity given in respect of the Company's own default), release or waiver;
 - (iii) by way of a loan or a contract under which the obligations of the Company have to be fulfilled before the obligations of the other party to the contract, or by way of the change of the party to that loan or contract, or the assignment of any rights thereunder; and
 - (iv) in any other form when the Company is unable to pay its debts or has no net assets or when its net assets may be thereby reduced to a material extent; and
- (bb) the meaning of "assumed obligations" includes obligations assumed by the obligor as a result of entering into a contract or making any arrangement (whether or not such contract or arrangement is enforceable, and whether or not assumed by him personally or together with any other party) or by any other means whereby his financial position is changed.

(vi) Disclosure of interests in contracts with the Company or any of its subsidiaries

Where a Director, Supervisor or senior officer of the Company has, directly or indirectly, a material interest in a contract, transaction or arrangement entered into or proposed to be entered into by the Company (other than his contract of service), he shall declare the nature and extent of his interest to the Board as soon as possible, whether or not the matters in question are otherwise subject to the approval of the Board.

Unless the interested Director, Supervisor or senior officer of the Company has disclosed his interests in accordance with the Articles of Association and that matter has been approved by the Board at a meeting at which the interested Director has not been counted in the quorum and has refrained from voting, the Company may cancel that contract, transaction or arrangement except as against a bona fide party thereto acting in good faith and without notice of the breach of duty by that Director, Supervisor or senior officer.

For the purposes of this provision, each of the Director, Supervisor or senior officer of the Company is deemed to have an interest in a contract, transaction or arrangement in which a person connected to him is interested thereunder.

The Director, who is connected to an enterprise involved in the issue to be approved by the Board, is prohibited from voting on the relevant issue and voting as authorised representative of other Director. The relevant Board meeting may be held with the presence

of one half or more of the unconnected Directors, and the relevant resolutions shall be passed by one half or more of the unconnected Directors. In the event the number of the present unconnected Directors is less than three, the relevant issue shall be presented to the general meeting for approval.

If a Director, Supervisor or senior officer of the Company, before the question of entering into the relevant contract, transaction or arrangement is first considered, gives to the Board a notice in writing, stating that he is interested in a contract, transaction or arrangement proposed to be entered into by the Company by reason of the matters specified in the notice, then the relevant Director, Supervisor or senior officer of the Company shall be deemed to have made a disclosure for the purpose of the above provision within the scope specified in that notice.

A person is connected with a Director, Supervisor or senior officer of the Company if he is:

- (aa) the spouse or minor child of that Director, Supervisor or senior officer of the Company;
- (bb) a person acting in the capacity of trustee of that Director, Supervisor or senior officer of the Company or any person referred to in (aa) above;
- (cc) a person who is a partner of that Director, Supervisor or senior officer of the Company or any person referred to in (aa) and (bb) above;
- (dd) a company over which that Director, Supervisor or senior officer of the Company, alone or together with any persons referred to in (aa), (bb) and (cc) above, or together with other Director(s), Supervisor(s) or senior officer(s) of the Company have de facto control; or
- (ee) a director, supervisor or senior officer of a company referred to in (dd) above.

(vii) Remuneration

The Company shall enter into a contract in writing with each Director and Supervisor in respect of remuneration, with the prior approval of its shareholders in general meeting. Such remuneration includes:

- (aa) remuneration in respect of his service as Director, Supervisor or senior officer of the Company;
- (bb) remuneration in respect of his service as director, supervisor or senior officer of a subsidiary of the Company;
- (cc) remuneration in respect of other services provided in connection with the management of the affairs of the Company or its subsidiaries; and
- (dd) monies payable as compensation for loss of his office or retirement from office of that Director or Supervisor.

A Director or Supervisor shall not institute any legal proceedings against the Company for any benefit due to him in respect of the above matters except under a contract entered into in accordance with the foregoing.

(viii) Retirement, appointment and removal

A person shall be disqualified from being a Director, Supervisor or senior officer of the Company in any of the following circumstances:

- (aa) any person who suffers from any incapacity or restricted capacity from undertaking civil obligations;
- (bb) any person who has been penalised as a result of his conviction of offences relating to bribery, corruption, trespass to assets, misappropriation of assets, or causing social economic disorder or any person who has been deprived of his political rights as a result of him having committed an offence, and a period of five years has not elapsed since the completion of execution of the said penalty or deprivation;
- (cc) any person who had been a former director, factory owner or manager of a company or enterprise which had become insolvent or had been liquidated because of unsound management and who had incurred personal liability for the insolvency or liquidation of such company or enterprise, and a period of three years has not yet elapsed since the completion of insolvency or liquidation of that company or enterprise;
- (dd) any person who had been a legal representative of a company or enterprise the business licence of which had been revoked on the ground of contravention of law, and who had incurred personal liability therefor, where a period of three years has not yet elapsed since the revocation of the business licence;
- (ee) any person who has failed to repay his relatively large amount of indebtedness when due;
- (ff) a person who, because of suspected contravention of criminal law, is under investigation by judicial authorities and the case has not yet been settled;
- (gg) a person who is not eligible for enterprise leadership according to the PRC law and administrative regulations;
- (hh) a person who is not a natural person; or
- (ii) any person who had been convicted by the relevant supervisory authority of having contravened the provisions of the relevant securities laws and which involved fraudulent or dishonest acts on his part and a period of five years from the date of conviction has not yet elapsed.

A Director is not required to hold any shares of the Company. There is no stipulation that a Director must retire at a certain age.

Candidates for the first Board shall be nominated by the Promoters and elected at the inaugural meeting of the Company. All Directors shall be elected by its shareholders in general meeting and shall serve a term of three years from the date of their respective elections. Upon the expiry of his term of office, a Director may be re-elected to serve consecutive terms.

A notice of intention to proposed a person to be elected as a Director and a notice in writing by that person of his willingness to be elected shall be given to the Company at least seven days before the date of the general meeting.

The Board shall consist of seven Directors, comprising not less than three independent non-executive Directors. The chairman and vice-chairman shall be appointed and removed by a majority of the Board. The chairman and vice-chairman shall serve a term of three years from the respective dates of their elections and may be re-elected to serve consecutive terms upon the expiry of the terms of their offices. The chairman and any executive Director may concurrently hold the position of manager or other senior position other than the position of Supervisor.

Subject to compliance with the relevant laws and administrative regulations, shareholders in general meeting may by way of a ordinary resolution remove any Director before the expiry of the term of his office (but without prejudice to any claim for compensation pursuant to any contract).

(ix) Borrowing powers

On condition of compliance with applicable laws and regulations of PRC and the Articles of Association, the Company has the power to raise and borrow money and to decide the mortgage, lease, contracting and transfer of the Company's assets.

(x) Duties

In addition to obligations imposed by laws, administrative regulations or required by the stock exchanges on which Shares are listed, each of the Directors, Supervisors and senior officers of the Company owes a duty to each shareholder, in the exercise of the functions and powers of the Company entrusted to him:

- (aa) not to cause the Company to exceed the scope of the business stipulated in its business licence;
- (bb) to act honestly in the best interest of the Company;
- (cc) not to expropriate by any means the Company's property, including (without limitation) usurpation of opportunities advantageous to the Company;
- (dd) not to expropriate the individual rights of shareholders, including (without limitation) rights to distribution and voting rights, save pursuant to a restructuring of the Company submitted to shareholders for approval in accordance with the Articles of Association.

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

Each of the Directors, Supervisors and senior officers of the Company shall exercise his powers or carry on his duties in accordance with the principle of fiduciary and shall not put himself in a position where his duty and his interest may conflict. This principle includes (without limitation) discharging the following obligations:

- (aa) to act honestly in the best interests of the Company;
- (bb) to exercise powers within the scope of his powers and not to exceed those powers;
- (cc) to exercise the discretion vested in him personally and not to allow himself to act under the control of another and, unless and to the extent permitted by laws, administrative regulations or with the informed consent of shareholders given in general meeting, not to delegate the exercise of his discretion;
- (dd) to treat shareholders of the same class equally and to treat shareholders of different classes fairly;
- (ee) except in accordance with the Articles of Association or with the informed consent of shareholders given in general meeting, not to enter into any contract, transaction or arrangement with the Company;
- (ff) without the informed consent of shareholders given in general meeting, not to use the Company's property for his own benefit;
- (gg) not to exploit his position to accept bribes or other illegal income or expropriate the Company's property by any means, including (without limitation) opportunities advantageous to the Company;
- (hh) without the informed consent of shareholders given in general meeting, not to accept commissions in connection with the Company's transactions;
- (ii) to abide by the Articles of Association, faithfully execute his official duties and protect the Company's interests, and not to exploit his position and power in the Company to advance his own private interests;
- (jj) not to compete with the Company in any form unless with the informed consent of shareholders given in general meeting;
- (kk) not to misappropriate the Company's funds or lend such funds to others, not to open accounts in his own name or other names for the deposit of the Company's assets and not to provide a guarantee for debts of a shareholder of the Company or other individual(s) with the Company's assets; and
- (ll) unless otherwise permitted by informed shareholders in general meeting, to keep in confidence information acquired by him in the course of and during his tenure and not to use the information other than in furtherance of the interests of the Company, save that disclosure of such information to the court or other governmental authorities is permitted if:
 - (i) disclosure is made under compulsion of law;

- (ii) disclosure is in the interests of the public; or
- (iii) disclosure is in the interests of the relevant Director, Supervisor or other senior administrative officer who requires disclosure.

Each Director, Supervisor or senior officer of the Company shall not cause the following persons or institutions (“associates”) to do what he is prohibited from doing:

- (aa) the spouse or minor child of that Director, Supervisor or senior officer of the Company;
- (bb) a person acting in the capacity of trustee of that Director, Supervisor or senior officer of the Company or any person referred to in the preceding paragraph;
- (cc) a person acting in the capacity of partner of that Director, Supervisor or senior officer of the Company or any person referred to in paragraphs (aa) and (bb) above;
- (dd) a company in which that Director, Supervisor or senior officer of the Company, alone or jointly with one or more persons referred to in paragraphs (aa), (bb) and (cc) above and other Directors, Supervisors and senior officer of the Company have a de facto controlling interest; and
- (ee) the Directors, Supervisors or senior officers of the controlled company referred to in the preceding paragraph.

The fiduciary duties of the Directors, Supervisors or senior officers of the Company do not necessarily cease with the termination of their tenure. The duty of confidence in relation to trade secrets of the Company survives the termination of their tenure. Other duties may continue for such period as fairness may require depending on the time lapse between the termination and the act concerned and the circumstances under which the relationships between them and the Company are terminated.

In addition to any rights and remedies provided by the laws and administrative regulations, where a Director, Supervisor or senior officer of the Company is in breach of his duties to the Company, the Company has a right to:

- (aa) claim damages from the Director, Supervisor or senior officer of the Company in compensation for losses sustained by the Company as a result of such breach;
- (bb) rescind any contract or transaction entered into by the Company with the Director, Supervisor or senior officer of the Company or with a third party (where such third party knows or should know that there is such a breach of duties by such Director, Supervisor or senior officer of the Company);
- (cc) demand an account of the profits made by the Director, Supervisor or senior officer of the Company in breach of his duties;
- (dd) recover any monies which should have been received by the Company but which was received by the Director, Supervisor or senior officer of the Company instead, including (without limitation) commissions; and

- (ee) demand repayment of the interest earned or which may have been earned by the Director, Supervisor or senior officer of the Company on the monies that should have been paid to the Company.

Subject to the Articles of Association, a Director, Supervisor or senior officer of the Company may be relieved of liability for specific breaches of his duty by the informed consent of shareholders given at a general meeting.

(b) ALTERATIONS TO CONSTITUTIONAL DOCUMENTS

The Company may amend its Articles of Association in accordance with the requirements of law, administrative regulation and the Articles of Association.

Any amendment to any provision contained in the Articles of Association requires the sanction of a special resolution of the shareholders of the Company at general meeting, subject to the following:

- (i) the provisions in the Articles of Association relating to the variation of class rights; and
- (ii) any amendment to provisions included in the Articles of Association pursuant to the Mandatory Provisions shall become effective only after the approval of the companies supervisory authorities of the State Council and of the securities regulatory department of the State Council. Any amendment involving companies registration matters shall be registered in accordance with the law.

(c) VARIATION OF RIGHTS OF EXISTING SHARES OR CLASSES OF SHARES

Any proposal to vary or abrogate the rights conferred on any class of shareholders in the capacity of shareholders (“Class Rights”) must be approved by a special resolution of shareholders of the Company at general meeting and approved by holders of shares of that class at a separate meeting conducted in accordance with the provisions of the Articles of Association.

The following circumstances shall be deemed to be a variation or abrogation of the Class Rights of a class:

- (i) the change in the number of shares of such class, or a change in the number of shares of a class which have voting rights or distribution rights or other privileges which are equal or superior to the shares of such class;
- (ii) the exchange of all or part of the shares of such class for the shares of another class or the exchange of all or part of the shares of another class for the shares of such class or the grant of a right to such conversion;
- (iii) the removal or reduction of rights to accrued dividends or rights to cumulative dividends attached to such class of shares;
- (iv) the reduction or removal of a preferential right to dividends or a distribution of properties upon liquidation of the Company attached to such class of shares;

- (v) the addition, removal or reduction of any conversion privileges, options, voting rights, transfer rights, pre-emptive rights or rights to acquire securities of the Company attached to such class of shares;
- (vi) the removal or reduction of any right attached to such class of shares to receive money payable by the Company in particular currencies;
- (vii) the creation of a new class of shares which have voting rights, distribution rights or other privileges equal or superior to such class of shares;
- (viii) the imposing of restrictions or increase in restrictions on the transfer or ownership of the shares of such class;
- (ix) the issue of rights to subscribe for, or convert into, shares of such class or another class;
- (x) the increase of the right or privileges of another class of shares;
- (xi) the restructuring of the Company which results in classes of shareholders bearing disproportionate responsibilities in such restructuring; and
- (xii) the variation or abrogation of provisions concerning the protection of shareholder's rights of various classes of shares in the Articles of Association.

Shareholders of the affected class, whether or not having the right to vote at shareholders' general meetings, shall nevertheless be entitled to vote at class meetings in respect of matters concerning sub-paragraphs (ii) to (viii), (xi) and (xii) above, but Interested Shareholder(s) (as defined below) shall have no voting rights at class meetings.

Resolutions of a class of shareholders shall be passed by votes representing two thirds or more of the voting rights of shareholders of that class (including proxies) present at the relevant meeting and who are entitled to vote at the class meeting.

Written notice of a class meeting shall be given 45 days before the date of the class meeting to notify all of the shareholders in the share register of the class of the matters to be considered, the date and the place of the class meeting. A shareholder who intends to attend the class meeting shall deliver his written reply concerning attendance at the class meeting to the Company 20 days before the date of the class meeting. Notice of class meetings need only be served on shareholders entitled to vote thereat.

If the number of shares carrying voting rights at the meeting represented by the shareholders who intend to attend the class meeting reaches one half or more of the voting shares at the class meeting, the Company may hold the class meeting; if not, the Company shall within five days notify the shareholders, again by public notice, of the matters to be considered, the date and the place for the class meeting. The Company may then hold the class meeting after such publication of such notice.

Class meetings shall be conducted in a manner as nearly as possible as general meetings. The provisions of the Articles of Association relating to the proceedings of general meetings shall apply to class meetings.

Holders of domestic shares and overseas listed foreign shares shall be deemed to be different classes of shares.

The special procedures for voting at a class of shareholders shall not apply in the following circumstances:

- (i) where the Company issues, upon the approval by a special resolution of its shareholders in general meeting, either separately or concurrently once every 12 months, not more than 20% of each of its existing issued domestic shares and overseas-listed foreign-invested shares; or
- (ii) where the Company's plan to issue domestic shares and overseas-listed foreign-invested shares at the time of its establishment is carried out within 15 months from the date of approval of the CSRC; or
- (iii) Where the holders of Domestic Shares transfer, upon the approval by the CSRC, their shares to overseas investors and such shares are arranged to be listed or traded on an overseas securities exchange.

For the purposes of the Class Rights provisions of the Articles of Association, an "Interested Shareholder" is:

- (i) in the case of a repurchase of shares by the Company by way of a general offer to all shareholders in equal proportion or on a stock exchange by public transaction method, the controlling shareholder as defined in the Articles of Association;
- (ii) in the case of a repurchase of shares by the Company by an off-market agreement in accordance with a the Articles of Association, the shareholder to which the proposed agreement relates; and
- (iii) in the case of a restructuring proposal of the Company, a shareholder who bears less than a proportionate responsibility than other shareholders of the same class or a shareholder who has an interest different from the interests of the other shareholders of that class.

(d) SPECIAL RESOLUTIONS — MAJORITY REQUIRED

Resolutions of shareholders' general meetings shall be divided into ordinary resolutions or special resolutions.

An ordinary resolution shall be passed by one half or more of the voting rights represented by the shareholders present in person or by proxy at a general meeting and voting in favour of the resolution.

A special resolution shall be passed by two thirds or more of the voting rights represented by the shareholders present in person or by proxy at a general meeting and voting in favour of the resolution.

(e) VOTING RIGHTS (GENERALLY, ON A POLL AND RIGHT TO DEMAND A POLL)

A shareholder has the right to attend and vote in person and to appoint a proxy to attend and vote on his behalf at general meetings. A proxy need not be a shareholder.

Subject to any special rights or restrictions as to voting rights for the time being attached to any class of shares, shareholders (including proxies) who vote at the general meeting shall exercise their voting rights in relation to the number of shares carrying the right to vote which they hold. Each share shall carry one vote.

At any meeting of shareholders, voting shall be decided on a show of hands unless a poll is (before or after any vote by a show of hands) is demanded by the following persons:

- (i) the chairman of the meeting;
- (ii) at least two shareholders having the right to vote present in person or by proxy; or
- (iii) one or more shareholders present in person or by proxy who, alone or together, hold 10% or more of the shares carrying the right to vote at that meeting.

Unless a poll be so demanded, a declaration by the chairman that a resolution has been passed based on the result of the show of hands and an entry to that effect in the minutes of the meeting shall be conclusive evidence of that fact without further proof of the number or proportion of the votes recorded or the percentage of votes recorded in favour of or against such resolution. A demand for a poll may be withdrawn by the person or persons who makes such demand.

A poll demanded on the election of the chairman of the meeting, or on a question of adjournment, shall be taken immediately. A poll demanded on any other matters shall be taken at such time as the chairman of the meeting decides, and the meeting may continue to proceed to discuss other matters. The result of the poll shall be declared as soon as possible and shall be deemed to be the resolution of the meeting at which the poll was demanded.

On a poll taken at a meeting, a shareholder (including his proxy) entitled to two or more votes need not cast all his votes in the same way.

In the case of an equality of votes, whether on a show of hands or on a poll, the chairman of the meeting shall be entitled to an additional vote.

(f) REQUIREMENTS FOR ANNUAL GENERAL MEETINGS

General meetings comprise into annual general meetings and extraordinary general meetings. General meetings shall be convened by the Board. Annual general meeting shall be held once every year within six months after the end of each financial year.

(g) ACCOUNTS AND AUDIT

(i) Financial and accounting system

The Company shall formulate its financial accounting system in accordance with the relevant requirements of PRC laws, administrative regulations and the principles relating to PRC accounting standards formulated by the financial supervisory authority of the State Council.

The financial year of the Company shall adopt the Gregorian calendar year, which is from 1st January, to 31st December, of each year.

The Company shall prepare a financial report at the end of every financial year and shall have it audited in accordance with the applicable laws.

The Board shall place before the shareholders at every annual general meeting financial report required by the relevant laws, administrative regulations or prescribed documents required by regional government and supervisory authorities to be prepared by the Company.

The financial report of the Company shall be placed at the legal address of the Company 20 days prior to the holding of the annual general meeting of the Company for inspection by shareholders. A printed copy of the financial reports together with a profit and loss account and a balance sheet or a summary of financial statement derived from such report shall, at least 21 days before the date of the annual general meeting, be delivered or sent by prepaid post by the Company to every holder of H Shares at his address as shown on the register of members.

Any interim results or financial information announced or disclosed by the Company shall be prepared in accordance with PRC accounting standards and regulations as well as in accordance with either international accounting standards or the accounting standards of the place where the foreign shares of the Company are listed.

The Company shall publish its financial reports four times in each financial year. The quarterly report shall be announced within 45 days after the end of the first three months, six months and nine months of the financial year and the annual report shall be published within three months after the end of the financial year.

(ii) Appointment of auditors

The Company shall at each annual general meeting appoint one or more independent firms of accountants which satisfy the relevant PRC requirements to audit the annual financial report and other financial reports of the Company. The accounting firm so appointed by the Company from time to time shall be the auditor of the Company. The term of appointment of auditors shall commence from the conclusion of the current annual general meeting until the conclusion of the next annual general meeting.

The first auditor of the Company may be appointed at the inaugural meeting of the Company or failing which, by the Directors, and the auditor so appointed shall hold office until the conclusion of the first annual general meeting.

If a casual vacancy arises in the office of an auditor, the Board may prior to the holding of a general meeting appoint a firm of accountants to fill the casual vacancy, but during the continuation of vacancy, the other existing auditor(s) appointed, if any, may continue to act.

The general meeting may by ordinary resolution remove an auditor before the expiration of its term of office, notwithstanding any terms of contract between the Company and the auditor, but without prejudice to the auditor's claim, if any, against the Company arising from such termination of its office.

The remuneration of an auditor appointed by the Board shall be determined by the Board. In all other cases, the remuneration and the method of remuneration of an auditor shall be determined by the shareholders of the Company at general meeting.

(iii) Change and removal of auditors

Where a resolution is proposed to be adopted by the shareholders of the Company at a general meeting to appoint a firm of accountants not currently in office to fill a casual vacancy in the office of auditor, to re-appoint as auditor an auditor who has been appointed by the Board to fill a casual vacancy, or to remove an auditor before the expiration of its term of office, the following provisions shall apply:

- (aa) the proposed resolution shall be sent, before notice of such general meeting is despatched to the shareholders of the Company, to the firm of accountants proposed to be appointed or the auditor who propose to leave office or the auditor who has left its office in the relevant financial year (leaving office includes leaving by removal, resignation or retirement);
- (bb) if the auditor leaving its office makes representations in writing and requests the Company to notify the shareholders of its representations, the Company shall implement the following measures (unless the representations are received too late):
 - (i) state in the notice in connection with the resolution the fact that representations have been made by the auditor leaving office; and
 - (ii) send a copy of the representations to every shareholder entitled to receive notice of general meetings;
- (cc) if the auditor's representations have not been despatched in accordance with (bb) above, the auditor may request such representations be read at the meeting and may make further representations at the meeting;
- (dd) an auditor leaving office shall be entitled to attend:
 - (i) the general meeting at which its term of office would expire;
 - (ii) any general meeting at which it is proposed to fill the vacancy caused by its removal; and
 - (iii) any general meeting convened as a result of his resignation;

and to receive all notices of, and other communications relating to, the meetings referred to above, and to speak at any such meeting on any matter which concerns it as former auditor of the Company.

(iv) Resignation of auditors

Any auditor may resign from office by a notice in writing deposited at the Company's legal address and such notice shall contain either of the following statements:

- (aa) a statement to the effect that there are no circumstances connected with the resignation which it considers should be brought to the attention of the shareholders or creditors of the Company; or
- (bb) a statement of any such circumstances which should be accounted for.

Any such notice shall be effective on the date on which it is deposited at the legal address of the Company or on such later date as may be specified therein.

After receipt of the written notice referred to in the preceding paragraphs, the Company shall within 14 days send a copy of the notice to the relevant supervisory authority. If the notice contains a statement referred to in sub-paragraph (bb) above, a copy of that notice shall be deposited at the Company for inspection by shareholders. The Company shall also send a copy of the notice to every holder of H Shares by prepaid post to his address as recorded in the register of shareholders.

Where the auditor's notice of resignation contains a statement referred to in sub-paragraph (bb) above, it may require the Board to convene an extraordinary general meeting for the purposes of receiving an explanation of the circumstances connected with its resignation.

(v) Rights of auditors

Every auditor of the Company shall have a right:

- (aa) to inspect at all times the books, records and vouchers of the Company, and to require the Directors or senior officers of the Company to provide relevant information and explanations;
- (bb) to require the Company to take all reasonable steps to obtain from its subsidiaries such information and explanations as are necessary for the purposes of performing its duties as auditor of the Company; and
- (cc) to attend any general meeting and to receive all notices of, and other communications relating to, any general meeting which a shareholder is entitled to receive, and to make presentation at any general meeting on any matter which it concerns as the auditor of the Company.

For the purpose of the Articles of Association, any reference to "a firm of accountants" has the same meaning as a reference to "auditors".

(h) NOTICE OF MEETINGS AND BUSINESS TO BE CONDUCTED THEREAT

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

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

The Board shall convene an extraordinary general meeting within two months of the occurrence of any of the following events:

- (i) when the number of Director is less than the minimum number prescribed by the Company Law or less than two thirds of the number prescribed by the Articles of Association;

- (ii) when the accumulated losses of the Company amount to one third of the total amount of its paid up share capital;
- (iii) upon the requisition of shareholders, individually or collectively, holding 10% or more of the Company's issued shares carrying the right to vote;
- (iv) when the Board consider it necessary or when the supervisory committee proposes to convene a general meeting;
- (v) when two or more of the independent non-executive Directors propose to convene a general meeting; and
- (vi) other circumstances stated by the Articles of Association.

Written notice of general meeting shall be given not less than 45 days before the date of the meeting, exclusive of the day on which the notice is despatched and the day of the meeting. A shareholder who intends to attend the meeting shall deliver his written reply concerning the attendance of the meeting to the Company 20 days before the date of the meeting.

The Company shall, based on the written replies received 20 days before the date of the shareholders' general meeting from the shareholders, calculate the number of voting shares represented by the shareholders who intend to attend the meeting. If the number of voting shares represented by the shareholders who intend to attend the meeting reaches one half or more of the Company's total voting shares, the Company may hold the meeting. If not, then the Company shall within five days notify the shareholders again by public notice of the matters to be considered, the place and the date for the meeting. The Company then may hold the meeting after such publication of such notice.

A notice of general meeting shall:

- (i) be given in writing;
- (ii) specify the place, the date and the time of the meeting;
- (iii) state the matters to be considered at the meeting;
- (iv) provide such information and explanation as necessary for the shareholders to make an informed decision on the matters proposed to be considered. Without limiting the generality of the foregoing principle, where the Company proposes to merge with another, to repurchase its shares, to reorganise its share capital, or to restructure in any other way, the details of the terms of, and the contract (if any) for the proposed transaction shall be provided and the effect of such proposal must be properly explained;
- (v) disclose the nature and extent of the material interests, if any, of any Director, Supervisor or senior officer in the matter to be considered at the meeting, and the effect of such matter, if any, on him in his capacity as shareholder in so far as it is different from the effect on other shareholders of the same class;
- (vi) contain the text of any special resolution proposed to be passed at the meeting;

(vii) contain conspicuously a statement that a shareholder entitled to attend and vote is entitled to appoint one or more proxies to attend and vote in his place and that a proxy so appointed needs not be a shareholder; and

(viii) specify the time and place for lodging the written replies and proxy forms.

Any matter not set out in the notice convening an extraordinary general meeting shall not be decided at that meeting.

Where the Company convenes an annual general meeting, shareholders, individually or collectively, holding 3% or more of the Shares carrying voting rights are entitled to propose to the Board in writing new matters to be considered in the annual general meeting 10 days before its opening. The Board shall include in the agenda of that meeting those matters contained in the proposal which are within the scope of the duties of the general meeting.

In respect of holders of overseas listed foreign shares, notice of general meetings shall be served on all shareholders (whether or not they are entitled to vote thereat) by personal delivery or prepaid mail to the addresses as appearing on the register of holders of overseas listed foreign shares. In respect of holders of domestic shares, notice of general meetings may be served in the aforesaid manner or published on any one day within the period specified in the Articles of Association in one or more newspapers specified by the securities regulatory authorities authorised by the State Council. Once published, all holders of domestic shares shall be deemed to have received the relevant notice.

The accidental omission to give notice of a meeting to, and the non-receipt of notice of a meeting by, any person entitled to receive notice shall not invalidate that general meeting or any resolution passed at that meeting.

The following matters shall be approved by special resolutions of the shareholders at general meeting:

- (i) the increase or reduction of the Company's share capital and the issue of any class of shares, warrants or other similar securities;
- (ii) the issue of debentures of the Company;
- (iii) the demerger, merger, dissolution, liquidation and substantial purchase and disposal of the Company;
- (iv) any amendment to the Articles of Association;
- (v) change in the form of the Company; and
- (vi) any other matters which the general meeting has resolved (by way of ordinary resolution) as having a potentially material effect on the Company and should be approved by special resolution.

Where the aggregate amounts of purchasing or disposal of material assets or providing security by the Company within one year exceed 30% of the total assets of the Company, the issue shall be approved by special resolutions of the shareholders.

Subject to such matters as may be specified in the Articles of Association as requiring approvals at class meetings, the following matters shall be approved by ordinary resolution of a general meeting:

- (i) work reports of the Board and the supervisory committee;
- (ii) proposals formulated by the Board for the distribution of profits and for making up accrued losses;
- (iii) appointment and removal of the members of the Board and the supervisory committee, their remuneration and the method of payment of such remuneration;
- (iv) annual preliminary and final budgets, balance, profit and loss account and other financial statements of the Company;
- (v) annual report of the Company; and
- (vi) all other matters required to be approved by shareholders at a general meeting other than those required to be approved by shareholders at general meeting by way of special resolution under PRC law, administrative regulations or the Articles of Association.

(i) TRANSFER OF SHARES

Unless otherwise prescribed by law and/or administrative regulations, shares of the Company are freely transferable and shall be free from all liens.

All transfers of overseas listed foreign shares shall be effected by a transfer in writing in the usual or common form, or such standard transfer form prescribed by the stock exchange on which such are listed, or in such other form as the Board may accept, and may be under hand only or under machine imprinted signature. If the transferor or transferee is a clearing house recognised under the Securities and Futures (Clearing Houses) Ordinance (Chapter 420 of Laws of Hong Kong) or its nominees, the instrument of transfer may be signed by hand or by machine imprinted signature.

All fully paid up H Shares are freely transferable in accordance with the provisions of the Articles of Association, but except where the conditions set out below, among others, are satisfied, the Board may refuse to recognise any transfer document providing any reason:

- (i) a fee (for each instrument of transfer) of HK\$2.50 or any higher fee as agreed by the Stock Exchange has been paid to the Company for registration of any transfer or any other documents which is related to or will affect ownership of or change of ownership of the shares;
- (ii) the instrument of transfer only involves H Shares;
- (iii) the stamp duty chargeable on the instrument of transfer has been paid;
- (iv) the relevant share certificate(s) and, upon the reasonable request of the Board, any evidence in relation to the right of the transferor to transfer the shares has been submitted;

- (v) if it is intended to transfer the shares to joint holders, then the maximum number of joint holders shall not exceed four; and
- (vi) the relevant shares of the Company are free from all liens.

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

No changes in the shareholders' register due to the transfer of Shares may be made within 20 days before the date of a shareholders' general meeting or within five days before the record date for the Company's distribution of dividends.

(j) POWER OF THE COMPANY TO PURCHASE ITS OWN SHARES

In accordance with the provisions of the Articles of Association, the Company may reduce its registered capital.

Subject to the approval of the relevant PRC supervisory authorities and to the provisions of the Articles of Association, the Company may repurchase its issued shares in the following circumstances:

- (i) to cancel its shares for the purpose of reducing its share capital;
- (ii) to merge with another company which holds shares of the Company;
- (iii) to give its shares to employees of the Company as bonus; or
- (iv) to repurchase its shares from the shareholders who dissent from the resolutions regarding the merger or dismerger of the Company made in the general meeting of the Company and therefore require the Company to repurchase their shares.

A share repurchase may only be made by one of the following methods:

- (i) making a pro rata general offer of repurchase to all of its shareholders;
- (ii) repurchase shares through public dealing on a stock exchange; or
- (iii) repurchase by an off-market agreement.

The Company may, with the prior approval of its shareholders at general meeting obtained in accordance with the Articles of Association, repurchases its own shares pursuant to an off-market agreement. The Company may release, vary or waive its rights under an agreement so entered into by the Company if the prior approval of a general meeting is given in the same manner. An agreement to repurchase shares includes, but is not limited to, an agreement to assume an obligation to repurchase or to acquire rights to repurchase shares of the Company.

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

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

- (i) where the Company repurchases shares of the Company at par value, payment shall be made out of book surplus distributable profits of the Company or out of the proceeds of a fresh issue of shares made for that purpose;
- (ii) where the Company repurchases shares of the Company at a premium to its par value, payment up to the par value of those shares may be made out of the book surplus distributable profits of the Company or out of the proceeds of a fresh issue of shares made for that purpose. Payment of the portion in excess of the par value shall be effected as follows:
 - (aa) if the shares being repurchased were issued at nominal value, payment shall be made out of the distributable profits of the Company; or
 - (bb) if the shares being repurchased were issued at a premium to its par value, payment shall be made out of the book surplus distributable profits of the Company or out of the proceeds of a fresh issue of shares made for that purpose, provided that the amount paid out of the said proceeds of the fresh issue shall not exceed the aggregate of premiums received by the Company on the issue of the shares being repurchased nor shall it exceed the current amount of the Company's share premium account (or capital reserve fund account, including the premium on the new shares issued);
- (iii) payment by the Company for the following purposes shall be made out of the Company's distributable profits:
 - (aa) the acquisition of rights to repurchase its own shares;
 - (bb) the variation of any agreement to repurchase its own shares; or
 - (cc) the release of any of the Company's obligations under any contract to repurchase shares of the Company; and
- (iv) after the Company's registered capital has been reduced by the total par value of the cancelled shares in accordance with the relevant provisions, the amount deducted from the distributable profits of the Company for payment up the par value portion of the shares repurchased shall be transferred to the Company's share premium account (or capital reserve fund account).

(k) POWER OF ANY SUBSIDIARY OF THE COMPANY TO OWN SHARES IN ITS PARENT COMPANY

There are no restrictions in the Articles of Association preventing any subsidiary of the Company from holding shares in its parent company.

(l) DIVIDENDS AND OTHER METHODS OF DISTRIBUTION

The Company may distribute dividends in the following manner:

- (i) cash; and/or
- (ii) shares.

The Company shall appoint receiving agents to receive on behalf of holders of H Shares dividends and all other monies owing by the Company in respect of their Shares. The receiving agents appointed on behalf of the H Shares shall be a company registered as a trust company under the Trustee Ordinance of Hong Kong.

(m) PROXIES

A shareholder may attend and vote at or appoint a proxy to attend and vote on his behalf at general meetings. If a shareholder is a company, its legal representative or any person authorised by its board of directors or other governing body to act as its representative may attend the general meeting.

Any shareholder entitled to attend and vote at a general meeting shall be entitled to appoint one or more persons (whether or not a shareholder) as his proxy or proxies to attend and vote instead of him, and a proxy so appointed shall:

- (i) have the same rights as the shareholder to speak at the meeting;
- (ii) have the right to demand or join with others to demand a poll; and
- (iii) have the right to vote on a show of hands or on a poll, but a proxy of a shareholder who has appointed more than one proxy may only vote on a poll.

The instrument appointing a proxy shall be in writing under the hand of the appointer or its attorney duly authorised in writing. If the appointer is a legal person, the instrument shall be signed under a legal person's seal or under the hand of its director or an attorney duly authorised in writing.

The instrument appointing a proxy shall be deposited at the legal address of the Company, or such other place as prescribed in the notice convening the meeting, 24 hours before the holding of the relevant meeting or 24 hours before the time at which the poll is to be conducted. If such instrument is signed by a person under a power of attorney or other document of authority on behalf of the appointer, a notarially certified copy of that power of attorney or other document of authority shall also be deposited together with the said instrument at the Company's legal address or such other place prescribed in the notice convening the meeting.

Any form issued to shareholders by the Board for appointing a proxy shall enable the shareholder, according to his intention, to instruct his proxy to vote in favour of or against each resolution proposed at the meeting. Such a form shall contain a statement that in the absence of instructions from the appointer, the proxy may vote as he thinks fit.

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

(n) CALLS ON SHARES AND FORFEITURE OF SHARES

The Articles of Association do not contain any provisions regarding calls on shares and forfeiture of shares.

(o) INSPECTION OF REGISTER OF MEMBERS

The Company shall keep a register of shareholders and enter therein the following matters:

- (i) the names and addresses, and the occupation or nature of occupation of each shareholder;
- (ii) the number of each class of shares held;
- (iii) the amount paid or payable on the shares;
- (iv) the serial number of the shares in respect of each shareholder;
- (v) the date on which each person is entered in the register as a shareholder; and
- (vi) the date on which any person ceases to be a shareholder.

The register of shareholders shall be sufficient evidence of the holding of Shares by the shareholders unless there is evidence to the contrary.

The Company shall keep a complete register of shareholders which shall comprise the following parts:

- (i) a part maintained at the Company's legal address which shall be the register of all shareholders other than those registered in accordance with sub-paragraphs (ii) and (iii) below;
- (ii) a register of holders of overseas listed foreign shares maintained at the place of listing; and
- (iii) such parts in such other places as the Board may deem necessary for the purpose of listing the Company's shares.

A duplicate of the register of holders of overseas listed foreign shares shall be made and maintained at the Company's legal address. The Company may appoint an overseas agent to keep the register of holders of such shares. The appointed overseas agent shall ensure at all times that the original and duplicate registers of holders of overseas listed foreign shares are the same. In the event of inconsistencies between any information recorded in the original register and that in the duplicate, the original shall prevail. Different parts of the register of shareholders shall not overlap. No transfer of any shares registered in one part of the register shall, during the continuance of the registration of those shares, be registered in any other parts of the register of shareholders.

The amendments or rectification of each part of the register of shareholders shall be made in accordance with the law of the place where the register of shareholders is maintained.

Holders of ordinary shares of the Company shall enjoy, among other rights, the right to receive relevant information in accordance with the Articles of Association, including:

- (i) to receive a copy of the Articles of Association upon payment of the cost thereof;
- (ii) to inspect and receive a copy of, upon payment of reasonable charges:
 - (aa) all parts of the register of shareholders; and
 - (bb) the following personal particulars of each of the Directors, Supervisors and senior officers of the Company:
 - (i) his present and former name(s) and alias(es);
 - (ii) his principal (residential) address;
 - (iii) his nationality;
 - (iv) his main occupation and all other occupations and positions; and
 - (v) his identification document and its number;
- (iii) the status of the Company's registered capital;
- (iv) a report showing the aggregate nominal value, the number and the maximum and minimum prices paid by the Company in respect of each class of the shares repurchased by the Company since the previous financial year, and the aggregate amount paid by the Company for this purpose; and
- (v) minutes of general meetings.

(p) QUORUM FOR GENERAL MEETINGS AND SEPARATE CLASS MEETINGS

A shareholder proposing to attend a general meeting shall deposit at the Company's legal address a written reply confirming his intention of attendance at least 20 days prior to the date of the meeting. The Company shall, according to the written replies received 20 days prior to the general meeting, calculate the number of shares carrying the right to vote represented by the shareholders proposing to attend the meeting. If the number of shares carrying the right to vote represented by shareholders proposing to attend the meeting reaches half of the total number of shares in the Company which carry rights to vote, the Company may proceed to hold the shareholders' general meeting; if that number is not reached, the Company shall within five days notify the shareholders again of the matters proposed to be discussed at the meeting, the date and venue of the meeting by way of public announcement. After such public announcement, the Company may proceed to hold the general meeting.

The above procedure applies, mutatis mutandis, to shareholders of each class of shares in respect of class meetings.

(q) RIGHTS OF THE MINORITIES IN RELATION TO FRAUD OR OPPRESSION

Apart from the obligations imposed by law, administrative regulations or the listing rules of the stock exchange(s) on which shares of the Company are listed, a controlling shareholder when exercising his rights as a shareholder shall not, by virtue of the exercise of his voting rights, cause a decision to be made in a manner prejudicial to the interests of the shareholders generally or any part thereof in connection with the following matters:

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

For these purposes, a controlling shareholder means a person who satisfies any one of the following conditions:

- (i) he, when acting alone or together with others, has the power to elect more than half of the Directors;
- (ii) he, when acting alone or together with others, has the power to exercise or to control the exercise of 30% or more of the voting rights in the Company;
- (iii) he, when acting alone or together with others, holds 30% or more of the issued shares of the Company; or
- (iv) he, when acting alone or together with others, in any other manner has de facto control of the Company.

See also "Variation of rights of existing shares or classes of shares" above.

(r) PROCEDURES ON LIQUIDATION

The Company shall be dissolved and liquidated in any one of the following circumstances:

- (i) the shareholders of the Company in a general meeting resolve by special resolution to dissolve the Company;
- (ii) dissolution is necessary by reason of its merger or demerger;
- (iii) the Company was ordered to be closed down by reason of its contravention of laws or administrative regulations; or
- (iv) the Company was ordered to be dissolved by the people's courts in accordance with the Rule 183 of the Company Law.

Where the Board decide to liquidate the Company (for reasons other than a declaration of insolvency), the Board shall, in the notice convening a general meeting for this purpose, include a statement to the effect that, after having made a full enquiry into the affairs of the Company, they are of the opinion that the Company will be able to pay its debts in full within 12 months from the date of commencement of the liquidation. Upon the passing of a resolution by the shareholders of the Company in the general meeting to commence liquidation, the functions and powers of the Board shall cease immediately.

Where the Company has material difficulties in operations, its continuing operation shall result in material loss of the shareholders and the situation can not be resolved by other manners, the shareholders of the Company holding 10% or more of voting rights may submit to the people's court to dissolve the Company.

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

The liquidation committee shall notify the Company's creditors within 10 days of its establishment and shall make a public announcement in newspapers within 60 days of its establishment. The liquidation committee shall carry out registration of rights of those creditors who report and prove their debts within the time limits as prescribed in the Articles of Association.

After the liquidation committee has administered the assets of the Company and prepared a balance sheet and an inventory of the Company's assets, it shall draw up a proposal for the liquidation and submit the same to the shareholders at general meeting or the relevant people's court for approval.

The assets of the Company shall be used to settle the following payments in the following order before being distributed among the shareholders of the Company:

- (i) liquidation fees and expenses;
- (ii) wages, labour insurance premiums of employees and statutory compensation;
- (iii) outstanding taxes due; and
- (iv) debts of the Company.

Any surplus assets remaining after the above payments have been made in full shall be distributed to the shareholders according to the class(es) and proportion of shares they hold.

Upon completion of the liquidation of the Company, the liquidation committee shall prepare a liquidation report and accounts of its income and expenditure and financial reports for the period of the liquidation. Once these accounts and reports are verified by a registered accountant of the PRC, they shall be submitted to the shareholders of the Company at general meeting or the relevant people's court for approval.

The liquidation committee shall, within 30 days of the date of approval by the shareholders of the Company at general meeting or the relevant supervisory authorities, submit the accounts and reports mentioned above to the companies registration authority, apply for cancellation of the Company's registration and announce the cessation of the Company.

In the event of a dissolution and liquidation of the Company due to its insolvency, the liquidation committee shall be established by the people's court in accordance with the applicable laws and the Articles of Association.

If the Company is being liquidated as a result of its dissolution and subsequent to the administration of the Company's assets and preparation of the balance sheet and inventory of assets, the liquidation committee discovers that the Company's assets are insufficient to repay its debts in full, it shall immediately suspend the liquidation procedures and apply to the people's court for a declaration of insolvency.

Once the people's court has declared the Company to be insolvent, the liquidation committee shall hand all matters relating to the liquidation over to the people's court.

(s) OTHER PROVISIONS MATERIAL TO THE COMPANY OR ITS SHAREHOLDERS

(i) General provisions and limited liability

The Company is a joint stock limited company of perpetual duration and was established by way of promotion. It is an independent enterprise legal person.

The capital of the Company is divided into shares of equal nominal value. The liability of a shareholder to the Company is limited by the amount payable on subscription of the shares held by him. The Company shall be liable for its debts up to the extent of all its assets.

The Company may invest in other enterprises. However, except contrary regulations stated by the laws, the Company can not become an investor with joint and several liability regarding the liabilities of the company invested.

(ii) The Articles of Association

The Articles of Association constitute a legal document regulating the constitution and activities of the Company, the rights and obligations between the Company and its shareholders and among the shareholders themselves. The Articles of Association are binding upon the Company and its shareholders, Directors, Supervisors and senior officers of the Company. Such persons may bring claims on matters related to the Company in accordance with the Articles of Association.

Shareholders may bring actions against the Company and vice versa, and shareholders may bring actions against other shareholders, Directors, Supervisors and senior officers of the Company in accordance with the Articles of Association. For these purposes, actions include proceedings commenced in court and arbitration proceedings commenced in arbitration tribunals.

(iii) Shares and registered capital

The entire capital of the Company is divided into shares of equal nominal value.

The Company shall at all times have ordinary shares. The Company may, in accordance with its needs and upon obtaining approval of the companies supervisory authority authorised by the State Council, create other types of shares.

The shares in issue and to be issued as mentioned in this document are in the form of registered ordinary shares and each has a nominal value of RMB1.00.

The Company may issue shares to either or both of domestic investors and foreign investors upon obtaining approval from the securities regulatory authority of the State Council.

For the purpose of the preceding paragraph, “foreign investors” means investors from outside the PRC and the territories of Hong Kong, Macau and Taiwan who subscribe for shares issued by the Company; “domestic investors” means investors who subscribe for shares issued by the Company from within the PRC other than from the aforesaid territories.

The shares issued by the Company to domestic investors which are subscribed for in RMB are called “domestic shares”. The shares issued by the Company to foreign investors which are subscribed for in foreign currencies are called “foreign shares”. Foreign shares which are listed outside the PRC are called “overseas listed foreign shares”. Upon the approval of the State Council or its authorised regulatory departments, and with the consent of the Stock Exchange, the domestic shares in the Company may be converted into H Shares.

The following methods may be used for increase in capital:

- (aa) by offering new shares to general investors;
- (bb) by placing new shares with existing shareholders;
- (cc) by a bonus issue of shares to existing shareholders; or
- (dd) by any other methods permitted under PRC laws and administrative regulations.

The Company may reduce its registered capital in accordance with the provisions of the Articles of Association. The registered capital of the Company after a capital reduction shall not be lower than the lowest limit prescribed by law. Where the Company reduces its registered capital, it shall prepare a balance sheet and inventory of assets. The Company shall notify its creditors within 10 days from the date of a resolution to reduce its registered capital, and shall make a public announcement in newspapers within 30 days thereof. The creditors shall have the right, within 30 days of receipt of the notice or within 45 days of the date of the public announcement if the notice has not been received, to require the Company to pay its debts or provide guarantee to the amount of its debts.

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

Unless otherwise required by an overseas securities exchange, the listing and trading of the transferred shares shall not be required to be resolved in a class meeting of the Company.

(iv) The Board of Directors

The Board are accountable to the shareholders in general meeting and shall have the following functions and powers:

- (aa) to convene general meetings and to report on their work at general meetings;
- (bb) to implement resolutions passed by the shareholders at general meetings;
- (cc) to decide the Company's business plans and investment proposals;
- (dd) to prepare the Company's annual financial budget and final accounts;
- (ee) to formulate proposals for profit distribution and for making up accrued losses of the Company;
- (ff) to formulate proposals for an increase or reduction of registered capital and the issue of debentures of the Company;
- (gg) to formulate proposals for the demerger, merger or dissolution of the Company;
- (hh) to formulate the internal management structure of the Company;
- (ii) to appoint or dismiss the general manager of the Company and, at the recommendation to the general manager, to appoint and dismiss deputy general manager(s), financial controller and other seniors officers of the Company and to determine their remuneration and method of payment;
- (jj) to formulate the basic management system of the Company;
- (kk) to prepare proposals for amendments to the Articles of Association;
- (ll) apart from the matters to be resolved at the general meetings as stipulated by the Company Law or the Articles of Association, to resolve other business and administrative matters, and to sign other agreements; and
- (mm) to exercise the other powers conferred by general meetings and the Articles of Association.

A majority of at least two-thirds or more of the Board shall be required for the passing of any resolution in respect of items (ff), (gg) and (kk) above. A majority of one half of the Board shall be required for the passing of any resolutions in respect of the other matters specified above.

A meeting of the Directors shall only be held if one half or more of the Directors are present. Each Director shall have one vote. In the case of an equality of votes, the chairman shall have an additional vote.

Board meetings shall be held at least four times every year and shall be convened by the chairman, provided that when an urgent matter arises, extraordinary meetings of the Board may be convened upon the requisition of one third or more of the Directors jointly or upon the proposal of the shareholders of the Company holding 10% or more of the voting rights or the Supervisory Committee.

(v) Company secretary

The Company shall have a company secretary who shall be appointed and may be dismissed by the Board. The company secretary shall be a natural person who has the requisite professional knowledge and experience.

The primary responsibilities of the company secretary include the following:

- (aa) to prepare for and organise Board meetings and general meetings and to ensure that the documentation and records of the Company are complete;
- (bb) to assist the Directors to deal with the daily work assigned by the Board, to ensure that the Directors are informed of the laws, regulations, policies and requirements of both domestic and overseas regulatory authorities concerning the operation of the Company, and to assist the Directors to implement the domestic and foreign laws and regulations, the Articles of Association and any other regulations in performing their functions and exercising their powers;
- (cc) that the Company's register of shareholders, register of Directors, register of substantial shareholders and register of Directors' interests in the Company are properly established;
- (dd) to be responsible for the organisation and coordination of information disclosure, coordinate the relationship with the investors, and enhance the transparency of the Company; and
- (ee) to carry out any other duties assigned by the Directors and required in the places where the shares of the Company are listed.

Directors or other officers of the Company may concurrently act as company secretary. An accountant of a firm of accountants retained as auditor by the Company shall not concurrently act as company secretary.

(vi) Manager

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

- (aa) to be in charge of the production, operation and management of the Company and to organise the implementation of resolutions of the Board;
- (bb) to organise the implementation of the Company's annual operational plans and investment proposals;

- (cc) to formulate plans for the internal management structure of the Company;
- (dd) to formulate the basic management structure of the Company;
- (ee) to establish the internal administrative rules and regulations of the Company;
- (ff) to recommend the appointment or dismissal of deputy general manager(s), financial controller(s) and other officers of the Company (other than those required to be appointed or dismissed by the Board); and
- (gg) to perform and exercise any other functions and powers conferred by the Articles of Association and the Board.

(vii) Supervisory committee

The Company shall have a supervisory committee which is responsible for the supervision of the Board, each Directors, manager and other senior administrative officer of the Company to prevent them from abusing their positions and powers and infringing the interests of the shareholders, the Company and its employees.

The supervisory committee shall consist of three Supervisors, two of whom shall be representatives of the shareholders and one of whom shall be a representative of the employees. The representative of employees shall be elected and removed by the employees of the Company democratically and the representatives of the shareholders shall be elected and removed by the shareholders in general meeting. Supervisors shall be appointed for a term of three years from the date(s) of their elections and may be re-elected to serve consecutive terms. The chairman of the supervisory committee shall be appointed and removed by two-thirds or more of the Supervisors. The Supervisors shall not undertake concurrently the duties of the Directors, managers or other officers of the Company.

The supervisory committee shall be accountable to the shareholders of the Company in general meeting and shall exercise the following functions and powers in accordance with the laws:

- (aa) to examine the Company's financial affairs;
- (bb) to monitor the actions of the Directors and senior officers of the Company in the performance of their duties, and to propose dismissal of the Director or senior officer of the Company whose actions were in contravention of any laws, administrative regulations, the Articles of Association and resolutions of the general meetings of the Company;
- (cc) if the conduct of a Director or senior officer of the Company is detrimental to the interests of the Company, to require him to rectify such conduct;
- (dd) to review the Company's financial information such as the financial reports, business reports and profit distribution plans which the Board propose to submit to the general meeting, and in case of doubt, to appoint on behalf of the Company registered accountants or practising auditors to assist in the review;

- (ee) to propose the convening of extraordinary general meetings and to convene and preside over the general meeting of the Company where the Board did not convene or preside over the general meeting as regulated by the relevant laws;
- (ff) to represent the Company in negotiations with any of the Directors or to institute proceedings against any of them;
- (gg) to purpose resolution to the general meeting of the Company; and
- (hh) other functions and powers stipulated in the Articles of Association.

(viii) Shareholders' obligations

A shareholder of the Company is a person who lawfully holds shares of the Company and whose name is entered in the register of members.

A shareholder shall enjoy the rights and shall bear the obligations attached to the class(es) and the proportion of shares held by him; shareholders holding the same class of shares shall be entitled to the same rights and shall bear the same obligations.

In addition to their rights to obtain relevant information in accordance with the Articles of Association as mentioned in paragraph (o) above, a shareholder of the Company shall enjoy the following rights:

- (aa) to receive dividends and other distributions in proportion to the number of shares held by him;
- (bb) to attend and vote or appoint proxies to attend and vote on his behalf at general meetings;
- (cc) to supervise and to put forward proposals and make enquiries relating to the business operational activities of the Company;
- (dd) to transfer his shares in accordance with the applicable laws, administrative regulations and the Articles of Association;
- (ee) in the event of the termination or liquidation of the Company, to participate in the distribution of surplus assets of the Company according to the proportion of shares held by him at that time; and
- (ff) other rights conferred by relevant laws and administrative regulations, and the Articles of Association.

A shareholder of the Company shall have the following obligations:

- (aa) to abide by the Articles of Association;
- (bb) to pay subscription monies of the shares subscribed in accordance with the method of subscription; and
- (cc) other obligations imposed by law, administrative regulations and the Articles of Association.

Save in respect of terms agreed by the subscriber at the time of subscription, a shareholder shall not be liable to subscribe for any further share capital.

The register of members shall be sufficient evidence of the holding of the shares of the Company by the shareholders, unless there is evidence to the contrary. Alteration or rectification of each part of the register of members shall be made in accordance with the law of the place where that part of the register of members is kept. Any person who has any objection in relation to the register of members and seeks to register his name on the register of members or to delete his name from the register of members may in each case apply to a court of competent jurisdiction to rectify the register of members.

Any shareholder who has lost his share certificate (the “original certificate”) may apply to the Company for a new certificate in respect of the shares (the “relevant shares”) represented by the original certificate. The Articles of Association contain provisions prescribing the procedures for the application for replacement certificate in respect of holders of domestic shares and overseas listed foreign shares. In respect of holders of H Shares, an applicant is required to submit an application in the prescribed form accompanied by a notarial certificate or a statutory declaration. Where the Company is satisfied that it has not received any objection to the issue of the replacement share certificate having regard to the requirements set out in the Articles of Association, the Company will issue a new share certificate and cancel the original certificate. All expenses of the Company relating to the cancellation of the original certificate and the issue of a new share certificate shall be borne by the applicant. The Company is entitled to refuse to take any action before reasonable security is provided by the applicant in respect of those expenses.

After the Company has issued a new replacement share certificate in accordance with the above provisions, the name of a bona fide purchaser who obtains the new share certificate or a person whose name is subsequently entered into the register of members in respect of the relevant shares (if a bona fide purchaser) shall not be removed from the register of members. The Company shall not be liable for any damages suffered by any person by reason of the cancellation of the original certificate or the issue of the new share certificate unless the claimant proves that the Company has acted fraudulently.

(ix) Resolution of disputes

Whenever any dispute or claim arises from any rights or obligations provided in the Articles of Association, the Company Law and other relevant laws and administrative regulations concerning the affairs of the Company between the following parties:

- (aa) a holder of overseas listed foreign shares and the Company;
- (bb) a holder of overseas listed foreign shares and the Directors, Supervisors or senior officers of the Company; and
- (cc) a holder of overseas listed foreign shares and a holder of domestic shares;

then, unless otherwise specified in the Articles of Association, such parties shall submit that dispute or claim to arbitration before either (i) CIETAC in accordance with its rules or (ii) the Hong Kong International Arbitration Centre in accordance with its securities arbitration rules.

Once the claimant refers a dispute or claim to arbitration, the other party or parties must submit to the arbitral body elected by the claimant. If the party applying for arbitration elects to arbitrate at the Hong Kong International Arbitration Centre, then any party to the dispute shall be entitled to request, in accordance with the requirements of the securities arbitration rules of the Hong Kong International Arbitration Centre, for that arbitration to be conducted in Shenzhen.

If arbitration is sought to resolve a dispute or claim as described above, the applicable law shall be the PRC law, unless otherwise prescribed by law and administration regulations. Such arbitration shall be final and conclusive and shall be binding on all parties to the dispute.

In respect of a dispute or claim referred to above, the entire claim or dispute must be referred to arbitration and all persons (being the Company or the shareholders, Directors, Supervisors or senior officers of the Company) who have a cause of action based on the same facts giving rise to the dispute or claim or whose participation is necessary for the resolution of that dispute or claim shall submit to arbitration in accordance with the above provisions.

Disputes in connection with the determination of whether a person is or is not a shareholder or of the register of members need not be resolved by arbitration.