

MUDAN AUTOMOBILE SHARES COMPANY LIMITED

Articles of Association

(Adopted on June 18, 2001 through the special resolution at the Extraordinary Shareholders' General Meeting of the Company)

(Adopted on December 17, 2001 through the special resolution at the Extraordinary Shareholders' General Meeting of the Company)

(Adopted on June 30, 2004 through the special resolution at the Extraordinary Shareholders' Annual Meeting of the Company)

(Adopted on June 09, 2009 through the special resolution at the Extraordinary Shareholders' Annual Meeting of the Company)

(Adopted on October 29, 2009 through the special resolution at the Extraordinary Shareholders' General Meeting of the Company)

(Adopted on April 29, 2010 through the special resolution at the Extraordinary Shareholders' General Meeting of the Company)

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CHAPTER 1 GENERAL PROVISIONS

1. MUDAN AUTOMOBILE SHARES COMPANY LIMITED (hereinafter referred to as “the Company”) is a company limited by shares established in accordance with the stipulations of the Company Law of the People's Republic of China (hereinafter referred to as “the Company Law”) and other related laws and administrative regulations of the People's Republic of China (hereinafter referred to as “China” or “the State”).

The Company is established by sponsorship upon approval by Su Fu Fu [1998] 37 Document issued by the People’s Government of Jiangsu Province and founded upon registration on September 18, 1998 at the Administrative Bureau for Industry and Commerce of Jiangsu Province. It obtained the Company Business License with the registration number of 3200001104198.

The sponsors of the Company are Jiangsu Mudan Automobile Group Co., Ltd., the Public Asset Management Company Limited directly under Zhangjiagang City, the Labor Union of Jiangsu Mudan Automobile Corporation, Auto Accessories Factory of Zhangjiagang, Mudan Passenger Bus Accessory Co., Ltd. of Zhangjiagang and Auto Accessory Company LTD of Zhangjiagang.

- 2 The Chinese name of the Company is: 牡丹汽车股份有限公司 (Mudan Qiche Gufen Youxian Gongsi) and its English name is: MUDAN AUTOMOBILE SHARES COMPANY LIMITED.
- 3 Address of the Company is: No. 30, Lehong Road, Leyu Town, Zhangjiagang City, Jiangsu Province; zip code: 215621; Tel: 8605188, and fax number: 8605726.
- 4 The legal representative of the Company is the chairman of its board.
- 5 The Company is a company limited by shares existing in perpetuity.
- 6 The Company is an independent enterprise legal person administered and protected by relevant laws of China.
- 7 The Company held the extraordinary shareholders' meetings on June 18, 2001 and revised the Articles of Association passed by the general meeting of shareholders on November 25, 1998 in compliance with the Company Law, the Special Provisions of the State Council on Issuing Shares and Seeking a Listing outside the PRC (Special Provisions), the Prerequisite Provisions for Articles of Association of Companies Seeking a Listing outside the PRC Mainland, the Proposals on Accelerating Standardized Operation of Companies Listed Overseas and Deepening Their Reform issued by State Economic and Trade Commission and China Securities Regulatory Commission, and provisions of other relevant laws and administrative regulations of the State.

As alteration has occurred to the sponsoring shareholders of the Company and upon approval by relevant approving departments of the State, the extraordinary shareholders' meetings of the Company reviewed and approved the revision to the original Articles of Association, which, should they be approved by relevant departments, shall go into effect as of the date of approval. The original Articles of Association shall be replaced by the present Articles of Association as of the date of its entry into force.

8 The present Articles of Association of the Company shall be a legally binding document that regulates the organization and acts of the Company as well as the rights and obligations between the Company and the shareholders and among the shareholders from the date on which they become effective.

9 The Articles of Association of the Company shall be binding upon the Company and its shareholders, directors, supervisors, manager and other senior management staff. All the above persons may make claims related to Company matters in accordance with the Articles of Association.

Shareholders may sue the Company in accordance with the present Articles of Association. The Company may sue shareholders in accordance with its Articles of Association. Shareholders may sue shareholders in accordance with the Articles of Association of the Company. Shareholders may also sue directors, supervisors, general manager, deputy general managers and other senior management staff of the Company in accordance with the Articles of Association of the Company.

The term "sue" mentioned in the previous paragraph shall include the initiation of proceedings in a court or the application of arbitration to an arbitration organization.

10 The Company may invest in other limited liability companies and companies limited by shares. It shall be liable for such invested companies to the extent of the amount of investment. However, the Company shall not become an unlimited liability shareholder of any other for-profit organization.

Subject to approval by the authorities that are authorized by the State Council to examine and approve companies, the Company may operate as a holding company as described in the second paragraph of Article 12 of the Company Law, according to the needs of operation and management.

11 The total capital of the Company is divided into stocks of equal value, and the shareholders are liable thereto to the extent of their share holdings, and the Company is liable for its debts to the extent of all of its assets.

12 At the premises of complying with the relevant State laws and administrative regulations, the Company shall have the right of financing or borrowing loans, including (but not restricted to) issuing corporate bonds, mortgaging or pledging all or part of its assets or business and other rights permitted by State laws and administrative regulations.

CHAPTER 2 PURPOSE AND SCOPE OF BUSINESS

13 The Company's purpose of operating is to proceed from science and technology for progress, go all out for practical innovation and create the first-class business operation.

14 The business scope of the Company shall be subject to the items verified and approved by the company registration authority.

The Company's scope of business covers: automobile modification, manufacturing and sales of automobile parts and components, and sales of the brand automobiles (Dadi Brand).

15 The Company may adjust its scope of business or direction and methods of investment according to changes of the domestic and foreign markets, requirements of business at home and abroad and its own development potentials when passed by resolution on the shareholders' meeting and approved by the related competent authority of the State.

CHAPTER 3 SHARES AND REGISTERED CAPITAL

16 The Company shall have ordinary shares at all times. It may set other kinds of shares according to the need upon approval by the company approving departments authorized by the State Council.

17 All the shares issued by the Company shall have a par value which shall be RMB 1 Yuan for each share.

The term "RMB" as mentioned in the preceding paragraph refers to the legal currency of China.

18 The Company may issue shares to investors within and outside the territory of the People's Republic of China following approval from the State Council authorities in charge of securities.

For the purposes of the preceding paragraph, the term "investors outside the territory of the People's Republic of China" shall refer to investors from foreign countries or from Hong Kong, Macao or Taiwan that subscribe for shares issued by the Company, and the term "investors within the territory of the People's Republic of China" shall refer to investors inside China, excluding regions mentioned herein, that subscribe for shares issued by the Company.

- 19 Shares issued by the Company to investors within the People's Republic of China and to be subscribed for in RMB shall be referred to as domestic investment shares. Shares issued by the Company to investors outside the People's Republic of China and to be subscribed for in foreign currency shall be referred to as "foreign investment shares". Domestic investment shares listed within the People's Republic of China shall be referred to as "domestic investment shares listed inside the People's Republic of China" while the foreign investment shares listed outside the People's Republic of China shall be referred to as "foreign investment shares listed outside the People's Republic of China".

The foreign currency mentioned in the preceding paragraph shall be referred to as any legal currency of any country or region except RMB, which is recognized by the State competent authorities of foreign currency and can be used to pay for shares of the Company.

- 20 The listed foreign investment shares issued by the Company can, after approval by the State Securities Competent Authorities, can be listed in the Growth Enterprise Market of the Stock Exchange of Hong Kong Ltd. (SEHK).

- 21 Following approval of the Company Approving Departments authorized by the State Council, the total amount of ordinary shares that the Company may issue is 28,480, including: 1) 204.30 million domestic investment shares were issued upon establishment of the Company and totally subscribed for by the Company sponsors (including 62.34 million shares for Jiangsu Mudan Automobile Group Co., Ltd.; 102.36 million shares for the Public Asset Management Company Limited directly under Zhangjiagang City, 38 million shares for the Labor Union of Jiangsu Mudan Automobile Corporation, 1 million shares for the Auto Accessories Factory of Zhangjiagang, 300,000 shares for Mudan Passenger Bus Accessory Co., Ltd. of Zhangjiagang and 300,000 shares for the Auto Accessory Company LTD of Zhangjiagang); at this time, the registered capital of the Company is RMB 204.3 million Yuan; and 2) Foreign investment shares listed outside China not exceeding 80.5 million shares (including the 10.5 million foreign investment shares listed outside China of over-allotment) will be issued open to investors outside China for the first time. When the issuance is completed, the registered capital of the Company will be adjusted to an amount not exceeding RMB 284.8 million Yuan at most.

On September 18, 2001, the 38 million shares subscribed for by the Labor Union of Jiangsu Mudan Automobile Group Corporation were totally transferred to Jiangsu Mudan Automobile Group Co., Ltd.. The shares of other shareholders remain unchanged.

Public Asset Management Company Limited directly under Zhangjiagang City, authorized representative unit for State-owned shareholders of the Company, will, in the issuance of the increased foreign investment shares listed outside of China, reduce holdings of its shares of the Company by 10% of the actually-financed amount of the present increased issuance.

As over-allotment right is exercised during issuance of the increased foreign investment shares listed outside China and due to reduction of the holding of state-owned shares, the Company's stock ownership structure of the increased shares of the foreign investment shares listed outside China and the share capital structure of the state-owned shares after reduction are: 284.8 million ordinary shares, 196.25 million of which are domestic investment shares held by the sponsors, accounting for 68.91% of the total issuable ordinary shares of the Company (including 100.34 million shares for Jiangsu Mudan Automobile Group Co., Ltd., accounting for 35.23% of the total issuable ordinary shares of the Company; 95.31 million shares for the Public Asset Management Company Limited directly under Zhangjiagang City, accounting for 33.11% of the Company's total issuable ordinary shares; 1 million shares for Auto Accessories Factory of Zhangjiagang, accounting for 0.34% of the Company's total issuable ordinary shares; 300,000 shares for Mudan Passenger Bus Accessory Co., Ltd. of Zhangjiagang, accounting for 0.11% of the Company's total issuable ordinary shares; and 300,000 shares for Mudan Auto Accessory Company LTD of Zhangjiagang, accounting for 0.11% of the Company's total issuable ordinary shares). Shareholders of foreign investment shares listed outside China hold 88.55 million foreign investment shares listed outside China (including 80.5 million shares increased and 8.05 million shares purchased during reduction of state-owned stock reduction), accounting for 31.09% of the Company's total issuable ordinary shares.

In case of each alteration of the above-mentioned registered capital, the Company shall comply with the Assets Verification Report issued by the Certified Public Accountants (CPA) to confirm the actual amount of its registered capital, apply to Administrative Bureau for Industry and Commerce of Jiangsu Province for corresponding registration of alteration and report to the related governmental departments for filing.

On March 03, 2005, all of the 1 million shares held by Auto Accessories Factory of Zhangjiagang were transferred to Public Asset Management Company Limited directly under Zhangjiagang City, while the other shareholders' equity remain unchanged. The share capital structure of the Company is altered to: 284.8 million ordinary shares, 196.25 million of which are domestic investment shares held by the sponsors, accounting for 68.91% of the total issuable ordinary shares of the Company (including 100.34 million shares for Jiangsu Mudan Automobile Group Co., Ltd., accounting for 35.23% of the total issuable ordinary shares of the Company; 95.31 million shares for the Public Asset Management Company Limited directly under Zhangjiagang City, accounting for 33.47% of the Company's total issuable ordinary shares; 300,000 shares for Mudan Passenger Bus Accessory Co., Ltd. of Zhangjiagang, accounting for 0.11% of the Company's total issuable ordinary shares; and 300,000 shares for Mudan Auto Accessory Company LTD of Zhangjiagang, accounting for 0.11% of the Company's total issuable ordinary shares). Shareholders of foreign investment shares listed outside China hold 88.55 million foreign investment shares listed outside China, accounting for 31.09% of the Company's total issuable ordinary shares.

As of the date of approval, the 100.34 million shares originally held by Jiangsu Mudan Automobile Group Co., Ltd. have all been transferred to Chengdu Xindadi Automobile Co., Ltd.. All of the 95.31 million shares originally held by the Public Asset Management Company Limited directly under Zhangjiagang City have been transferred to Shunde Ganghua Industrial Co., Ltd. of Foshan City. All of the 300,000 shares originally held by Mudan Passenger Bus Accessory Co., Ltd. of Zhangjiagang have been transferred to Foshan Heli Automobile Trading Co., Ltd. All of the 300,000 shares originally held by Mudan Auto Accessory Company LTD of Zhangjiagang have been transferred to Foshan Heli Automobile Trading Co., Ltd. Upon completion of share transfer, the share capital structure of the Company is altered to: 284.8 million ordinary shares, 196.25 million of which are domestic investment shares, accounting for 68.91% of the total issuable ordinary shares of the Company (including 100.34 million shares for Chengdu Xindadi Automobile Co., Ltd., accounting for 35.23% of the total issuable ordinary shares of the Company. Shunde Ganghua Industrial Co., Ltd. of Foshan City holds 95.31 million shares, accounting for 33.47% of the Company's total issuable ordinary shares. Foshan Heli Automobile Trading Co., Ltd. holds 300,000 shares, accounting for 0.11% of the Company's total issuable ordinary shares. and Shunde Zhongyu Automobile Trading Co., Ltd. holds 300,000 shares, accounting for 0.11% of the Company's total issuable ordinary shares). Shareholders of foreign investment shares listed outside China hold 88.55 million foreign investment shares listed outside China, accounting for 31.09% of the Company's total issuable ordinary shares.

- 22 After the plan for issuing foreign investment shares listed outside the People's Republic of China and domestic investment shares has been approved by the State Council authorities in charge of securities, the board of directors of the Company may arrange for implementation of such plan by means of separate issues.

The company's plans of respective issuing foreign capital shares listed overseas and domestic capital shares pursuant to the provisions of the preceding paragraph may be separately implemented within 15 months after the date of approval by the State Council authorities in charge of securities.

- 23 If a company issues foreign capital stocks and domestic capital stocks listed abroad within the total amount fixed in the stock issue plan, it shall float them in full in one issue. If special circumstances prevent this from being realized, it may issue them in installments with the approval of the State Council authorities in charge of securities.

- 24 The Company may approve capital increases depending on its business and development requirements in accordance with the relevant provisions of its Articles of Association.

The Company may increase its capital by the following methods:

- (1) Offer of new shares to non-specific investors;
- (2) Rights issue to existing shareholders;
- (3) Allotment of new shares to existing shareholders; and
- (4) Other methods permitted by laws and administrative regulations.

The Company's increase of its capital by issuing new shares shall be handled in accordance with the procedures provided for in relevant State laws and administrative regulations after having been approved in accordance with the Articles of Association.

- 25 Except otherwise provided by laws and administrative regulations, shares of the Company may be transferred freely with no lien attached.
- 26 The name of stock transferee will be listed in the register of shareholders once the share of the Company is transferred.
- 27 All the issuing or transfer of the overseas-listed foreign investment shares which have been listed in SEHK shall be registered into the register of shareholders for foreign investment shares listed outside China in compliance with provisions specified in Article 43 of the Articles of Association.
- 28 Any shareholder of the overseas-listed foreign investment shares listed in SEHK may transfer all or part of his/her shares by means of any common and usual written transfer document of Hong Kong or any other written transfer instrument accepted by the board of directors of the Company. The transfer documents shall be signed by the transferor and the transferee or signed in mechanically-printed form.

If the shareholder is defined by the Laws of Hong Kong as having recognized the clearing house or its agent, the transfer forms may be signed manually or signed in mechanically-printed form.

CHAPTER 4 REDUCTION OF CAPITAL AND BUY-BACK OF SHARES

- 29 The Company may reduce its registered capital in accordance with the provisions of its Articles of Association.
- 30 When the Company is to reduce its registered capital, it must prepare a balance sheet and an inventory of assets.

The Company shall notify its creditors within 10 days of adopting the resolution to reduce its registered capital and shall publish a public announcement of the resolution in newspapers at least three times within 30 days of the said date. Creditors shall, within 30 days of receiving a written notice or within 90 days of the date of the first public announcement for those who have not received a written notice, be entitled to require the Company to pay its debts in full or to provide a corresponding guarantee for repayment.

The reduced registered capital of the Company may not be less than the statutory minimum.

- 31 The Company may, in the following circumstances, buy back its own issued outstanding shares following the adoption of a pertinent resolution in accordance

with the procedures provided for in its Articles of Association, and submission to and approval by the relevant State authorities:

- (1) Cancellation of shares in order to reduce its capital;
- (2) Merge with another company holding shares of this Company;
- (3) Other circumstances where laws and administrative regulations so permit.

32 After the Company is approved by relevant State authorities to buy back its own shares, it may proceed in any of the following manners:

- (1) Making of a buy-back offer in the same proportion to all shareholders;
- (2) Buy-back through open transactions on a securities exchange; or
- (3) Buy-back by an agreement outside a securities exchange.

33 In this regard to the redeemable shares which the Company has the right to buy back:

- (1) The price shall not exceed a certain top price unless the shares are bought back from the market or by means of bidding;
- (2) If the shares are bought back by bidding, bidding recommendations shall be delivered to all the shareholders without respect of persons.

34 When the Company is to buy back shares by an agreement outside a securities exchange, prior approval shall be obtained from the shareholders' general meeting in accordance with the procedures provided for in the Company's Articles of Association. Upon prior approval of the shareholders' general meeting obtained in the same manner, the Company may rescind or change contracts concluded in the manner set forth above or waive any of its rights under such contracts.

For the purposes of the above paragraph, contracts for the buy-back of shares shall include (but not limited to) agreements whereby buy-back obligations are undertaken and buy-back rights are acquired.

The Company may not assign contracts for the buy-back of its own shares or any of its rights thereunder.

35 After the Company has bought back its shares according to law, it shall cancel the portion of shares concerned within the period prescribed by laws and administrative regulations and shall apply to the original company registry for registration of the change in registered capital.

The amount of the Company's registered capital shall be reduced by the total par value of the shares cancelled.

36 Unless the Company has already entered the liquidation stage, it must comply with the following provisions in buying back its issued and outstanding shares:

- (1) Where the Company buys back shares at their par value, the amount thereof shall be deducted from the book balance of distributable profit and/or from the proceeds of a fresh share issue made to buy back the old shares;
- (2) Where the Company buys back shares at a price higher than their par value, the portion corresponding to their par value shall be deducted from the book balance of distributable profit and/or from the proceeds of a fresh share issue made to buy back the old shares; and the portion in excess of the par value shall be handled according to the following methods:
 - (i) Where the shares bought back were issued at their par value, the amount shall be deducted from the book balance of distributable profit;
 - (ii) Where the shares bought back were issued at a price higher than their par value, the amount shall be deducted from the book balance of distributable profit and/or from the proceeds of a fresh share issue made to buy back the old shares; however, the amount deducted from the proceeds of the fresh share issue may not exceed the total premium obtained at the time of issuance of the old shares nor may it exceed the amount in the Company's capital common reserve amount (including the premiums from the fresh share issue) at the time of buy-back;
- (3) The sums paid by the Company for the purposes set forth below shall be paid out of the Company's distributable profits:
 - (i) Acquisition of the right to buy back its own shares;
 - (ii) Modification of any contract for buy-back of its own shares;
 - (iii) Release from any of its obligations under any buy-back contract.
- (4) After the par value of the annulled shares has been deducted from the registered capital of the Company in accordance with relevant regulations, that portion of the amount deducted from the distributable profit and used to buy back shares at the par value of the bought-back shares shall be included in the Company's capital common reserve amount.

CHAPTER 5 FINANCIAL ASSISTANCE FOR THE PURCHASE OF COMPANY SHARES

37 The Company or its subsidiaries shall not at any time provide any financial assistance in any form to purchasers or prospective purchasers of the shares in the Company. Purchasers of shares in the Company as referred to above shall include persons that directly or indirectly undertake obligations for the purpose of purchasing shares in the Company.

The Company or its subsidiaries shall not at any time provide any financial assistance in any form to the above obligators in order to reduce or discharge their obligations.

The provisions of this Article shall not apply to the circumstances described in Article 39 of this Part.

38 For the purposes of this Part, this term financial assistance shall include (but not limited to) the financial assistance in the forms set out below:

- (1) Gifting;
- (2) Guarantee (including the undertaking of liability or provisions of property by the guarantor in order to secure the performance of the obligation by the obligator), indemnity (not including, however, indemnity arising from the Company's own fault) and release or waiver of rights;
- (3) Provision of a loan or conclusion of a contract under which the obligations of the Company are to be fulfilled prior to the obligations of the other party to the contract, or a change in the party to such loan or contract as well as the assignment of rights under such loan or contract; and
- (4) Financial assistance in any other form when the Company is insolvent or has no net assets or when such assistance would lead to a major reduction in the Company's net assets.

For the purposes of this Part, the term "undertake obligations" shall include the undertaking of an obligation by the obligator by concluding a contract or making an arrangement (whether or not such contract or arrangement is enforceable and whether or not such obligation is undertaken by the obligator individually or jointly with any other person) or by changing its financial position in any other way.

39 The acts listed below shall not be regarded as acts prohibited under Article 37 of this Part:

- (1) Where the Company provides the relevant financial assistance truthfully for the benefit of the Company and the main purpose of the financial assistance is not to purchase shares in the Company, or the financial assistance is an incidental part of an overall plan of the Company;
- (2) Lawful distribution of the Company's property in the form of dividends;

- (3) Distribution of dividends in the form of shares;
- (4) Reduction of registered capital, buy-back of shares, shareholding structuring, etc., in accordance with the Articles of Association of the Company;
- (5) Provision of a loan by the Company within its scope of business and in the ordinary course of its business (provided that the same does not lead to a reduction in the net assets of the Company or that if the same constitutes a reduction, the financial assistance was paid out of the Company's distributable profits); and
- (6) The provision of money by the Company for an employee shareholding scheme (provided that the same does not lead to a reduction in the net assets of the Company or that if the same constitutes a reduction, the financial assistance was paid out of the Company's distributable profits).

CHAPTER 6 SHARE CERTIFICATES AND REGISTER OF SHAREHOLDERS

40 The Company's shares shall be in registered form.

A share certificate shall set forth the following major items:

- (1) Company Name;
- (2) The Company's date of registration and establishment;
- (3) The class and par value of the shares and the number of shares represented;
- (4) The serial number of the share certificate;
- (5) Other particulars required to be set forth by the Company Law and the special provisions for seeking a listing outside China;
- (6) Other particulars as required to be specified by the securities exchange(s) on which the Company's shares are listed.

41 The Company's share certificates shall be signed by the chairman of the board of directors. Where the signatures of other senior management staff of the Company are required by the securities exchange(s) on which the Company's shares are listed, the share certificates shall also be signed by such other senior management staff. The share certificates shall become effective after the Company seal is affixed thereto. Affixation of the Company seal to the share certificates shall be authorized by the board of directors. The signature of the chairman of the board of directors or of other senior management staff on the share certificates may also be in printed form.

42 The Company shall keep a register of shareholders, in which the following particulars shall be recorded;

- (1) The name, address (domicile), profession or nature of each shareholder;
- (2) The category and number of shares held by each shareholder;
- (3) The amount paid or payable for the shares held by each shareholder;
- (4) The serial number of the shares held by each shareholder;
- (5) The date on which each shareholder is registered as a shareholder; and
- (6) The date on which each shareholder ceases to be a shareholder.

The register of shareholders shall be sufficient evidence of a shareholder's holding of Company shares, unless there is contradictory evidence.

43 The Company may, pursuant to an understanding or agreement reached between the State Council authorities in charge of securities and a securities regulatory organization outside the People's Republic of China, keep outside the People's Republic of China its register of holders of foreign investment shares listed outside the People's Republic of China, and entrust the administration thereof to an agent outside the People's Republic of China. The original copy of the register of shareholders of the overseas-listed foreign investment shares which have been listed in SEHK shall be kept in Hong Kong and entrusted for management by a competent agency of Hong Kong.

The Company shall keep at its domicile a duplicate of the register of holders of foreign investment shares listed outside the People's Republic of China. The appointed agent outside the People's Republic of China shall ensure that the register of holders of foreign investment shares listed outside the People's Republic of China and its duplicate are consistent at all times.

When the original and duplicate of the register of holders of foreign investment shares listed outside the People's Republic of China are inconsistent, the original shall prevail.

44 The Company shall keep a complete register of shareholders.

The register of shareholders shall include the following parts:

- (1) A register of shareholders kept at the Company's domicile other than those provided for under Items (2) and (3) of this paragraph;
- (2) The Company's register(s) of holders of foreign investment shares listed outside the People's Republic of China kept in the place(s) of the stock exchange(s) outside the People's Republic of China on which the shares are listed; and
- (3) Registers of shareholders kept in such other places as the board of directors may decide necessary for listing purposes.

- 45 The various parts of the register of shareholders shall not overlap one another. The transfer of shares registered in a certain part of the register of shareholders shall not, during the continuance of the registration of such shares, be registered in any other part of the register.

Changes and corrections to each part of the register of shareholders shall be carried out in accordance with the laws of the places where each part is kept.

- 46 Overseas-listed foreign investment shares which are listed in SEHK and all subscriptions of which have already been paid in full may be transferred freely in compliance with the provisions provided for in this Articles of Association; the board of directors shall have the right to refuse to accept any transfer instruments without stating any reason unless the following conditions are met:

- (1) A sum of 2.50 HK Dollars paid to the Company (for each set of transfer instrument), or small sums of expenses demanded by the board of directors from time to time (which shall not exceed the ceiling expenses prescribed from time to time in the Listing Rules of SEHK) for registration of the transfer instruments for shares, and documents related to share ownership or to affect the share ownership;
- (2) The transfer instrument shall involve only the overseas-listed foreign investment shares which have been listed in SEHK.
- (3) The payable stamp duties for the transfer instrument have been paid;
- (4) Provision of relate shares or evidences demanded by the board of directors which can prove that the transferor has the right of share transfer;
- (5) If the shares are to be transferred to joint holders, the number of joint holders shall not exceed 4;
- (6) The Company shall not have any lien for relevant shares.

If a company refuses to register a transfer of any share, the company shall, within 2 months after the date on which the transfer was lodged with the company, send to the transferor and the transferee a written notice of the refusal.

The standard transfer forms provided by SEHK may be used for above-mentioned transfer.

- 47 No changes resulting from share transfers may be made to the register of shareholders within 30 days prior to a shareholders' general meeting or 5 days prior to the reference date set by the Company for the purpose of distribution of dividends.

- 48 When the Company is to convene a shareholders' general meeting, distribute dividends, be liquidated or to carry out other acts requiring confirming of equity interests, the board of directors shall decide a date for determination of equity interests. Shareholders whose names appear on the register at the end of that day shall be the shareholders of the Company.
- 49 Any person that challenges the register of shareholders and requires his name to be entered into or removed from the register may apply to a competent people's court for correction of the register.
- 50 Any shareholder who is registered in the register of shareholders or requires his name to be entered into the register of shareholders may apply to the Company for issuance of a replacement certificate in respect of such shares (Relevant Shares) if his share certificate (Original Share Certificate) is lost.

Applications for the replacement of share certificates from holders of domestic investment shares who have lost their certificates shall be dealt with in accordance with Article 150 of the Company Law.

Applications for the replacement of share certificates from holders of foreign investment shares listed outside the People's Republic of China who have lost their certificates may be dealt with in accordance with the laws, securities exchange regulations and other relevant regulations of the place where the original register of holders of foreign investment shares listed outside the People's Republic of China is kept.

Where holders of foreign investment shares of a company listed outside the People's Republic of China, which is listed in SEHK, apply for replacement of their certificates after losing their certificates, such replacement shall comply with the following requirements:

- (1) The applicant shall submit the application in the standard format prescribed by the Company accompanied by a notarial certificate or statutory declaration. The notarial certificate or statutory declaration shall include the applicant's reason for the application, the circumstances and proof of the loss of the share certificate, other details which can support the application based on the actual situations, and a declaration that no other person may require registration as a shareholder in respect of the Relevant Shares;
- (2) The Company shall not have received any declaration requiring registration as a shareholder in respect of the shares from any person other than the applicant before it decides to issue a replacement share certificate;
- (3) If the Company decides to issue a replacement share certificate to the applicant, it shall publish a public announcement of its intention to do so in the newspapers or periodicals designated by the board of directors, which are published in Chinese and English in Hong Kong; the period of the public announcement shall be 90 days, during which such

announcement shall be published repeatedly at least once every 30 days;

- (4) Before publishing the public announcement of its intention to issue a replacement share certificate, the Company shall submit a copy of the announcement to be published to the securities exchange where it is listed and may proceed with publication after having received a reply from the securities exchange confirming that the announcement has been displayed in the securities exchange. The Company shall display the public announcement in the securities exchange for a period of 90 days.

If the application by anyone who claims to be holder of the Relevant Shares for issuance of a replacement share certificate was made without consent of the registered holder of the Relevant Shares, the Company shall mail to such shareholder a photocopy of the public announcement that it intends to publish;

- (5) At the expiration of the 90-day period provided for in Items (3) and (4) hereof, if the Company has not received any objection to the issuance of a replacement share certificate from any person, it may issue a replacement share certificate according to the application of the applicant;
- (6) When the Company issues a replacement share certificate under this Article, it shall immediately cancel the original share certificate and record such cancellation and the issuance of the replacement share certificate in the register of shareholders; and
- (7) All expenses of the Company for the cancellation of the original share certificate and the issuance of a replacement share certificate shall be borne by the applicant. The Company shall be entitled to refuse to take any action until the applicant has provided reasonable security for such expenses.

51 After the Company has issued a replacement share certificate in accordance with its Articles of Association, it shall not delete from the register of shareholders the name of a bona fide purchaser of the replacement share certificate mentioned above or of a shareholder that is subsequently registered as the owner of the shares (provided that he is a bona fide purchaser).

52 The Company shall not be liable for any damages suffered by any person from the cancellation of the original share certificate or the issuance of the replacement share certificate, unless the claimant can prove fraud on the part of the Company.

CHAPTER 7 RIGHTS AND OBLIGATIONS OF SHAREHOLDERS

53 The Company's shareholders are persons that lawfully hold shares of the Company and whose names are entered in the register of shareholders.

Shareholders shall enjoy rights and have obligations according to the category and number of shares held by them. Holders of shares of the same category shall enjoy equal rights and have equal obligations.

In case of joint holders, if one of the joint holders is dead, other existing joint holders shall be deemed as having the right to hold the Relevant Shares. However, the board of directors shall have the right to demand the reasonable evidence for the death of the joint holder for amendments of the register of shareholders. Any of the joint holders of any share shall, as long as his/her name comes first in the register of shareholders, have the right to receive stock certificates of the Relevant Shares and collect the notices issued by the Company, be present and exercise the right to vote at the general meetings; and any notice delivered to the said shareholder shall be deemed as served to all of the joint holders of the Relevant Shares.

The Company shall not freeze or damage the rights of any person that has not disclosed to the Company the rights and interests attached to shares of the Company he/she enjoys directly or indirectly.

54 The Company's holders of common shares shall enjoy the following rights:

- (1) Collect dividends and other profit distributions on the basis of the number of shares held by them;
- (2) Participate or to appoint proxies to participate in shareholders' meetings and exercise voting rights;
- (3) Supervise and control the Company's business activities, and raise suggestions and inquiries;
- (4) Transfer shares in accordance with laws, administrative regulations and the Company's Articles of Association;
- (5) Obtain relevant information in accordance with the Articles of Association of the Company, which shall include:
 - (i) Obtaining the Articles of Association of the Company after payment of a charge to cover costs;
 - (ii) Being entitled to browse and make a copy, after payment of reasonable charges, of:
 - (a) All parts of the register of shareholders;

- (b) Personal information and data of the Company's directors of the board, supervisors of the board, general manager, deputy general manager and other senior management staff, including their present and past names and aliases, main address (domiciles), nationalities, full-time and all of the other part-time professions, professional titles, ID evidence documents and ID numbers;
 - (c) The status of the Company's share capital;
 - (d) Reports of the aggregate par value, number of shares, and highest and lowest prices of each category of shares bought back by the Company since the last fiscal year as well as all the expenses paid by the Company therefore; and
 - (e) The minutes of shareholders' meetings.
- (6) Participate in the distribution of the remaining property of the Company according to their shareholding when the Company is terminated or liquidated; and
 - (7) Other rights conferred by laws, administrative regulations and the Company's Articles of Association.

55 The Company's holders of common shares shall enjoy the following rights:

- (1) Abide by the Articles of Association;
- (2) To pay subscription fees on the basis of the shares subscribed by them and the method of capital injection; and
- (3) Other obligations imposed by laws, administrative regulations and the Company's Articles of Association.

Shareholders shall not bear any liability for further contribution to share capital other than the conditions agreed to by the subscriber of the relevant shares on subscription.

56 In addition to obligations imposed by laws, administrative regulations or the listing rules of the securities exchange(s) on which the shares of the Company are listed, controlling shareholders (as defined in Article 57 of the Articles of Association) may not, in the exercise of their shareholders' powers, make decisions prejudicial to the interests of all or part of the shareholders as a result of the exercise of their voting rights on the issues set forth below:

- (1) Relieving a director or supervisor of the responsibility to act honestly in the best interest of the Company;

- (2) Approving a director or supervisor (for his own or another person's benefit) of depriving the Company of its property in any way, including (but not limited to) any opportunities that are favorable to the Company; or
- (3) Approving a director or supervisor (for his own or another person's benefit) of depriving other shareholders of their rights or interests, including (but not limited to) rights to distributions and voting rights, unless pursuant to a restructuring of the Company submitted to and adopted by the shareholders' general meeting in accordance with the Articles of Association of the Company.

57 For the purposes of the preceding Article, the term “controlling shareholder” shall refer to a person that satisfies any of the following conditions:

- (1) He, acting alone or in concert with others, has the power to elect more than half number of the directors;
- (2) When acting alone or in concert with others, he shall have the right to exercise or control the exercise of 30% or more of the Company's voting rights;
- (3) When acting alone or in concert with others, he holds 30% or more of the issued and outstanding shares of the Company;
- (4) 4. He, acting alone or in concert with others, actually controls the Company in any other manner.

CHAPTER 8 SHAREHOLDERS' GENERAL MEETING

58 It is the company's organ of power, which shall exercise its authorities according to the Law.

59 The general meeting of the shareholders may exercise the following powers:

- (1) Determining the Company's operation guidelines and investment plans;
- (2) Electing and replacing members of the board of directors, and deciding upon matters relating to their remuneration;
- (3) Electing and replacing members of the board of supervisors who are the shareholders' representatives, and deciding upon matters relating to the remuneration of the supervisors;
- (4) Examine and approve reports of the board of directors;
- (5) Examine and approve reports of the board of supervisors;

- (6) Deliberating and approving annual financial budget plans and final account plans of the company;
- (7) Deliberating and approving profit distribution plans and loss recovery plans of the company;
- (8) Adapt resolutions relating to increase or reduction of the registered capital of the Company;
- (9) Pass resolutions on matters such as the merger, division, dissolution or liquidation of the Company;
- (10) Pass resolutions on the issuance of bonds by the Company;
- (11) Pass resolutions on the employment, dismissal or refusal of employment of accounting firms by the Company;
- (12) Amend the Articles of Association;
- (13) Examine the motions raised by the shareholders' representing 5% or more of the Company's voting shares;
- (14) Other matters that the laws, administrative regulations and the Company's Articles of Association require to be resolved by the shareholders' general meeting.

60 Without the prior approval of the shareholders' general meeting, the Company may not conclude any contact with any person other than a director, supervisor, manager or other senior management staff of the Company for the delegation of the whole business management or part of the important business management of the Company to that person.

61 Shareholders' general meetings shall include annual shareholders' meetings and extraordinary shareholders' meetings. The time and place for the general meeting of shareholders shall be determined by the meeting convened by the board of directors. Annual meetings shall be convened once a year and shall be held within six months following the preceding fiscal year.

The board of directors shall convene an extraordinary shareholders' meeting within two months of the occurrence of any of the following circumstances:

- (1) The number of directors is less than the number provided for in the Company Law or less than two-thirds prescribed in the Articles of Association of the Company;
- (2) The losses of the Company that have not been made up reach one-third of the total share capital of the Company;
- (3) Shareholders holding 10% or more of the Company's voting shares required in writing an extraordinary shareholders' general meeting to be convened; or

- (4) The board of directors considers that there is a need or the board of supervisors proposes a meeting;
- (5) The Certified Public Accounting Firm employed by the Company proposes an extraordinary shareholders' meeting in compliance with provisions specified in Article 170 of the Articles of Association.
- (6) Two or more independent directors propose a meeting.

62 In calling shareholders meetings, the Company shall issue a written notice 45 days in advance to all the listed shareholders, specifying the matters to be examined and discussed, and the date and place of the meeting. The shareholders planning to attend the shareholders meeting shall send back the reply in writing to the Company 20 days before the convocation of the meeting.

63 When the Company is to hold an annual shareholders' general meeting, shareholders holding 5% or more of the total number of the Company's voting rights shall be entitled to propose new motions in writing to the Company. However, such motions shall be submitted to the Company at least 90 days before convocation of the shareholders' annual meeting. The Company shall include in the agenda for the meeting the matters in the motions that fall within the scope of duties of the shareholders' general meeting.

64 The company shall count the number of voting shares held by the shareholders intending to attend the meeting based on the written reply received by the Company 20 days prior to the date of the shareholders' meeting. If the number of voting shares represented by the shareholders intending to attend the meeting is more than half of the total number of the Company's voting shares, the Company may hold the shareholders' general meeting. If not, the Company shall within five days inform the shareholders once again of the matters to be examined at the meeting as well as the date and place of the meeting in the form of a public announcement. Upon notification by public announcement, the Company may hold the shareholders' general meeting.

Extraordinary shareholders' general meeting may not decide on matters not specified in the notice or announcement.

65 The notice of a shareholders' general meeting shall meet the following requirements:

- (1) It shall be made in writing;
- (2) It shall specify the place, date and time of the meeting;
- (3) It shall describe the matters to be discussed at the meeting;

- (4) It shall provide to the shareholders the information and explanation necessary for them to make a wise decision on the matters to be discussed. This principal shall apply (but not limit) when the Company proposes a merger, buy-back of shares, reorganization of share capital or other restructuring, it shall provide the specific conditions and contract (if any) of the transaction under discussions and earnestly explain the cause and result of the transaction;
- (5) It shall disclose the nature and extent of conflict of interests, if any, of any director, supervisor, general manager and deputy general manager or other senior management staff in any matter to be discussed; and provide an explanation of the difference, if any, between the way in which the matter to be discussed would affect such director, supervisor, general manager and deputy general manager or other senior management staff in his capacity as shareholder and the way in which such matter would affect other shareholders of the same category;
- (6) It shall contain the full text of any special resolution proposed to be adopted at the meeting;
- (7) It shall contain a conspicuous statement that shareholders entitled to attend and vote have the right to entrust one or more proxies to attend and vote on their behalf and that such proxy need not be a shareholder; and
- (8) It shall state the time and place for the delivery of the meeting's proxy's forms.

66 The notice of a shareholders' general meeting shall be delivered to the shareholders (whether or not entitled to vote thereat) by assigned persons or pre-paid mail to the recipient's address shown in the register of shareholders. For holders of domestic investment shares, the notice of a shareholders' general meeting may also be given by public announcement.

The public announcement referred to in the preceding paragraph shall be published in one or more newspapers or periodicals designated by the State Council authorities in charge of securities during the period between 45 and 50 days before the meeting is held. Once the announcement is made, all holders of domestic investment shares shall be deemed as having received the notice of the relevant shareholders' meeting.

67 A meeting and the resolutions adopted to thereat shall not be invalidated as a result of the accidental omission to give notice of the meeting to, or the failure of receiving such notice by, a person entitled to receive such notice.

68 Any shareholder entitled to attend and vote at a shareholders' meeting shall have the right to appoint one or more persons (who need not be shareholders) as his proxies to attend and vote on his behalf. Such proxy may exercise the following rights according to his entrustment by the shareholder:

- (1) The shareholder's right to speak at the shareholders' general meeting;
- (2) The right to require by himself or in conjunction with others to make a resolution by voting; and
- (3) The right to vote by raising hands or ballot, except that if a shareholder has appointed more than one proxy, such proxies may only exercise their voting rights by ballot.

The shareholder, if it is a recognized clearing house defined in laws of Hong Kong, may authorize such one or more person as he thinks fit to act as his representative at the general meeting of shareholders or any meeting of the shareholders. However, if one or more such persons are authorized, the Letter of Authorization shall set forth the number and category of the shares of each of such authorized persons. Any of the above-mentioned authorized persons may represent the recognized clearing house (or the agent hereof) in exercising the rights as if he/she is an individual shareholder of the Company.

69 Shareholders shall entrust their proxies by written instruments that shall be signed by the entrusting parties or such proxies as are entrusted in written form. Where the entrusting party is a legal person, the instrument shall be sealed by the legal person or signed by its director(s) or duly authorized proxies. The Letter of Entrustment shall specify the number of shares that the proxy (proxies) are authorized to represent. Where the entrusting party is the proxy (proxies) for the shareholders, the Letter of Entrustment shall indicate the number of shares that they are authorized to represent.

70 The instrument appointing a voting proxy shall be placed at the domicile of the Company or at such other place as specified in the notice of the meeting within 24 hours prior to the meeting at which the proxy is authorized to vote or within 24 hours prior to the specified time of the vote. Where the instrument is signed by another person authorized by the entrusting party, the power of attorney or other document authorizing the signature shall be notarized. The notarized power of attorney or other authorizing document shall be placed together with the instrument appointing the voting proxy at the domicile of the Company or at such other place as specified in the notice of the meeting.

Where the entrusting party is a legal person, its legal representative or the person authorized by resolution of its board of directors or other decision-making body shall be entitled to attend the Company's shareholders' meetings as the representative of such legal person.

71 Any form issued by the board of directors of the Company to the shareholders for the appointment of proxies shall give the shareholders free choice to instruct their proxies to cast an affirmative or negative vote and enable the shareholders to give separate instructions on each matter to be voted during discussions at the meeting. The instrument of appointment shall specify that in the absence of instructions from the shareholder, the proxy may vote as he thinks fit.

72 Where the entrusting party has died, lost capacity for acts, revoked the proxy or the signed instrument of appointment prior to the voting, or the relevant shares have been transferred prior to the voting, a vote given in accordance with the terms of instrument of proxy shall remain valid as long as the Company did not receive a written notice of the event before the commencement of the relevant meeting.

73 Any proxy entrusted by an individual shareholder to attend the general meeting of the shareholders shall present the Letter of Entrustment issued by the shareholder and his own identification paper; any proxy entrusted by a legal person shareholder to attend the general meeting of the shareholders shall present his identification evidence, certification issued by the legal representative or the duplicate of the resolution proved true through notarization for entrusting the proxy by the board of directors of the legal person shareholder or any other decision-making body.

74 Resolutions of the shareholders' general meeting can be ordinary resolutions or special resolutions.

Ordinary resolutions of the shareholders' general meeting shall be passed by more than half of the voting rights held by the shareholders (including proxies) present at the meeting. Special resolutions of the shareholders' general meeting shall be passed by more than two-thirds of the voting rights held by the shareholders (including proxies) present at the meeting.

75 When shareholders (including proxies) vote at the shareholders' general meeting, they shall exercise their voting rights according to the number of voting rights that they represent. Each share shall carry one voting right.

Where a shareholder follows any applicable law, rule and regulation and waives his voting right for any special resolution of the Company or is restricted to cast only the affirmative votes or negative votes with respect to any special resolution of the Company, the number of votes of this shareholder or his representative has cast in violation against the said rules or restrictions shall not be included as valid.

76 Votes of the shareholders' general meeting shall be taken by raising hands for resolutions, unless the following persons require voting before or after any vote by raising hands for resolutions:

- (1) Presiding person of the meeting;
- (2) At least two shareholders with voting rights or their proxies with voting rights; or
- (3) One or several shareholders (including proxies) holding totally or separately 10% or more of the shares carrying the right to vote at the meeting.

Unless somebody proposes voting by ballot, the chairman of the meeting shall declare whether the proposal has been adopted according to the results of the vote by raising hand, and shall record the same in the minutes of the meeting, which shall serve as final evidence without having to state the number or proportion of the votes for or against resolution adopted at the meeting.

The demand for a vote by ballot may be withdrawn by the person who made it.

- 77 If the matter demanded to be voted upon by ballot is the election of the chairman of the meeting or the adjournment of the meeting, a ballot shall be taken immediately. If a ballot is demanded for any other matter, such ballot shall be taken at the time decided upon by the chairman and the meeting may proceed with the discussion of other matters; the result of the ballot shall still be regarded as a resolution passed at that meeting.
- 78 When a ballot is held, shareholders (including proxies) having the right of two or more votes need not use all of their voting rights as the affirmative or negative votes.
- 79 When the number of votes for a resolution is equal to the number of votes against the resolution, whether the vote is taken by raising hands or by ballot, the chairman of the meeting shall be entitled to one additional vote.
- 80 The following matters shall be resolved by way of an ordinary resolution of the shareholders' general meeting:
- (1) Work reports of the board of directors and the board of supervisors;
 - (2) Plans for the distribution of profits and making up of losses drafted by the board of directors;
 - (3) Removal of members of the board of directors and the board of supervisors, their remuneration and method of payment of their remuneration;
 - (4) The Company's annual budget, final accounts, balance sheet, profit statement and other financial statements; and
 - (5) Matters other than those that laws, administrative regulations or the Company's Articles of Association require to be passed by way of a special resolution.
- 81 The following matters shall be resolved by way of a special resolution of the shareholders' general meeting:
- (1) Increase or reduction of the Company share capital and issuance of any category of shares, warrants or other similar securities;

- (2) Issuance of Company's bonds;
- (3) Division, merger, dissolution and liquidation of the Company;
- (4) Amendment to the Articles of Association;
- (5) Other matters that, as resolved by way of an ordinary resolution of the shareholders' general meeting, may have a significant impact on the Company and require adoption by way of a special resolution.

82 Shareholders requesting the convening of an extraordinary shareholders' general meeting or a meeting of shareholders of different categories shall proceed in accordance with the procedures set forth below:

- (1) Two or more shareholders holding a total of 10% or more of the shares carrying the right to vote at the meeting sought to be held may sign one or more written requests of identical form and substance requesting the board of directors to convene an extraordinary shareholders' general meeting or a meeting of shareholders of different categories and stating the subject of the meeting. The board of directors shall, subject to provisions of Article 6 of this Articles of Association, convene the shareholders' general meeting or the meeting of shareholders of different categories as soon as possible after having received the above-mentioned written request.

The shareholding referred to above shall be calculated as of the day on which the written request is made; and

- (2) If the board of directors fails to issue a notice of such a meeting within 30 days after having received the above-mentioned written request, the shareholders who made such request may themselves convene the meeting within four months after the board of directors received the request. The procedures according to which they convene such meeting shall, to the extent possible, be identical to the procedures according to which shareholders' meetings are to be convened by the board of directors.

Where shareholders convene and hold a meeting because the board of directors failed to hold such meeting pursuant to a request as mentioned above, the reasonable expenses incurred by such shareholders shall be borne by the Company and shall be deducted from the sums owed by the Company to the negligent directors.

83 Shareholders' general meeting shall be convened and presided over by the chairman of the board. Where the chairman of the board cannot attend such a meeting for any reason, the meeting shall be convened and presided over by the (a) vice chairman of the board. Where both the chairman and the vice chairman of the board are unable to attend the meeting, the board of directors may designate a director of the Company to convene and preside over the meeting on its behalf. Where no chairman is designated, the shareholders attending the meeting may elect one person to preside over the meeting. If for any reason the shareholders are unable to elect a chairman, the shareholder holding the largest number of voting shares and attending the meeting (whether in person or by proxy) shall preside over the meeting.

84 The chairman of the meeting shall be responsible for deciding whether or not a resolution of the shareholders' general meeting has been passed. His decision shall be final and shall be announced at the meeting and recorded in the minutes of the meeting.

85 If the chairman of the meeting has any doubt about the result of a resolution put to the vote, he may count the number of votes cast. If the chairman of the meeting fails to count the votes, a shareholder or proxy attending the meeting who challenges the result announced by the chairman of the meeting shall have the right to request counting of votes immediately after such announcement, the chairman of the meeting shall immediately count the votes.

86 If counting of votes is held at a shareholders' general meeting, the result of the counting shall be recorded in the minutes of the meeting.

The shareholders' general committee shall prepare minutes regarding the decisions on matters considered at the meeting, which shall be signed by the directors attending the meeting. The minutes of the meeting, the attendance records signed by the attending shareholders and the proxies shall be kept at the Company's domicile.

87 Shareholders may examine photocopies of the minutes of meetings during the Company's office hours free of charge. If any shareholder demands from the Company a photocopy of relevant minutes of meetings, the Company shall send such photocopies within seven days of receiving payment of reasonable charges.

CHAPTER 9 SPECIAL VOTING PROCEDURES FOR SHAREHOLDERS OF DIFFERENT CATEGORIES

88 Shareholders who hold different categories of shares shall be shareholders of different categories. Except other shareholders of different categories, holders of domestic investment shares and foreign investment shares listed overseas shall be shareholders of different categories.

Shareholders of different categories shall enjoy rights and assume obligations in accordance with laws, administrative regulations and the Company's Articles of Association.

- 89 If the Company intends to change or abrogate the rights of shareholders of different categories, it may do so only after such change or abrogation has been approved by way of a special resolution of the shareholders' general meeting and by a separate shareholders' meeting convened by the affected shareholders of different categories in accordance with Articles 91 to 95 of the Articles of Association.
- 90 The rights of shareholders of a certain category shall be deemed to have been changed or abrogated in the following conditions:
- (1) An increase or decrease in the number of shares of such category or an increase or decrease in the number of shares of a category having voting rights, distribution rights or other privileges equal or superior to those of the shares of such category;
 - (2) A change of all or part of the shares of such category into shares of another category, a conversion of all or part of the shares of another category into shares of such category or the grant of the right to such change;
 - (3) A removal or reduction of rights to accrued dividends or cumulative dividends attached to shares of such category;
 - (4) A reduction or removal of a dividend preference or property distribution preference during liquidation of the Company, attached to shares of such category;
 - (5) An addition, removal or reduction of share conversion rights, options, voting rights, transfer rights, preemptive rights to rights issues or rights to acquire securities of the Company attached to shares of such category;
 - (6) A removal or reduction of rights to receive amounts payable by the Company in a particular currency attached to shares of such category;
 - (7) A creation of a new category of shares with voting rights, distribution rights or other privileges equal or superior to those of the shares of that category;
 - (8) An imposition of restrictions or additional restrictions on the transfer or ownership of shares of such category;
 - (9) An issuance of rights to subscribe for, or convert into, shares of such category or another category;
 - (10) An increase in the rights and privileges of shares of another category;

- (11) Restructuring of the Company causes shareholders of different categories to bear liability to different extents during the restructuring; or
- (12) An amendment or cancellation of the provisions of this Part.

91 Shareholders of the affected category, whether or not otherwise having the right to vote at shareholders' general meeting, shall have the right to vote at meetings of shareholders of different categories in respect of matters referred to in Items (2) to (8) or (11) to (12) of Article 90, except that interested shareholders shall not have the right to vote at meetings of shareholders of different categories.

For the purposes of the preceding paragraph, the term "interested shareholders" shall have the following meanings:

- (1) If the Company has made a buy-back offer to all shareholders in the same proportion or has bought back its own shares through open transactions on a securities exchange in accordance with Article 32 hereof, the controlling shareholders as defined in Article 57 hereof shall be "interested shareholders";
- (2) If the Company has bought back its own shares by an agreement outside a securities exchange in accordance with Article 32 hereof, holders of share in relation to such agreement shall be "interested shareholders"; or
- (3) Under a restructuring proposal of the Company, shareholders who will bear liability in a proportion smaller than that of the liability borne by other shareholders of the same category, or shareholders who have an interest in a restructuring proposal of the Company that is different from the interest in such restructuring proposal of other shareholders of the same category shall be "interested shareholders".

92 Resolutions of a meeting of shareholders of different categories may be passed only by more than two-thirds of the voting rights of that category represented at the meeting in accordance with Article 91 of the Articles of Association.

93 When the Company is to hold a meeting of shareholders of different categories, it shall issue a written notice 45 days prior to the meeting informing all the registered shareholders of that category of the matters to be examined at the meeting as well as the date and place of the meeting. Shareholders that intend to attend the meeting shall, within 20 days prior to the day of the meeting, deliver a written reply to the Company on meeting attendance.

If the number of share carrying the right to vote at the meeting represented by the shareholders intending to attend the meeting is more than half of the total number of shares of that category carrying the right to vote at the meeting, the Company may hold the meeting of shareholders of different categories. If not, the Company shall within five days inform the shareholders once again of the matters to be examined at the meeting and the date and place of the meeting in the form of a public announcement. Upon notification by public announcement, the Company may hold the meeting of shareholders of different categories.

The quorum for the meeting of shareholders of a category of shares (except the resumed meeting), if convened for considering amendment of rights of shares of any category shall be at least one third of the holders of the issued and outstanding shares of such category.

- 94 The notice of a meeting of shareholders of different categories needs to be delivered only to the shareholders entitled to vote thereat.

The procedures according to which a meeting of shareholders of different categories is held shall, to the extent possible, be identical to the procedures according to which a shareholders' general meeting is held. Provisions of the Articles of Association of the Company relevant to procedures for the holding of a shareholders' general meeting shall be applicable to meetings of shareholders of different categories.

- 95 The special voting procedures for shareholders of different categories shall not apply to the following circumstances:

- (1) Where, as approved by way of a special resolution of the shareholders' general meeting, the Company issues, either separately or concurrently, domestic investment shares and foreign investment shares listed outside the People's Republic of China every 12 months, and the number of the domestic investment shares and foreign investment shares listed outside the People's Republic of China intended to be issued does not exceed 20% of the issued and outstanding shares of the respective categories; or
- (2) The plan for issuance of domestic investment shares and foreign investment shares listed outside the People's Republic of China upon the establishment of the Company shall be completed within 15 months as of the date of approval by the State Council Securities Commission.

CHAPTER 10 BOARD OF DIRECTORS

- 96 Board of Directors. The board consists of 6 directors, of which two or more independent (non-executive) directors (hereafter "independent directors" refers to directors who are independent from the shareholders of the Company and do not hold a position within the Company). The board of directors sets up one chairman and several vice chairmen.

97 Directors shall be elected by the shareholders' general meeting and serve a term of 3 years. A director may serve consecutive terms if reelected upon the expiration of his term.

The period of notice in writing issued to the whole Company for recommending an election of a person as a director shall be 7 days at least (during which the person should submit a written notice to the Company about his willingness for the election). This period shall not be earlier than the second day following dispatching the circular notice about convening the general meeting of the shareholders about the election or later than 7 days before the commencement of the meeting hereof. The first session of the members of the board shall be nominated by the sponsor and generated through election on the establishment meeting of the Company.

The chairman of the board and the vice chairman (or vice chairmen) of the board shall be elected and removed by more than half of all the directors. The chairman of the board and the vice chairman (or vice chairmen) of the board shall serve a term of 3 years and may serve consecutive terms if reelected upon the expiration of their terms.

The general meeting of shareholders, on the premises that it complies with the relevant laws and administrative regulations, may remove any director before expiry of his term by way of a special resolution (but the request for compensation proposed for the removal based on any applicable contract shall not be affected hereby).

The independent director shall have sufficient time and the necessary knowledge and ability to perform the responsibilities of his office. When an independent director is performing the responsibilities of his office, the Company must provide him with the necessary information. Of the independent directors, the independent (non-executive) directors may directly report circumstances to the shareholders' general meeting, the State Council Authorities in charge of securities and other relevant departments.

Directors need not be Company shareholders.

98 The board of directors is accountable to the shareholders' general committee, and shall exercise the following authorities:

- (1) Being responsible for calling meetings of shareholders' general committee, and presenting reports thereto;
- (2) Carrying out the resolutions made at the shareholders' meetings;
- (3) Determining the operating plans and investment programs of the Company;
- (4) Working out the annual financial budget plans and final account plans of the Company;

- (5) Working out the profit distribution plans of the Company and its plans to cover company losses;
- (6) Formulating plans for the increase or reduction in the registered capital of the Company and for the issuance of the Company bonds;
- (7) Drafting plans for the merger, division or dissolution of the Company;
- (8) Making decisions on the establishment of the internal management departments of the Company;
- (9) Appointing or removing the general manager of the Company; appointing or removing, upon the general manager's recommendation, deputy general managers of the Company and the officer in charge of finance; and determining the remuneration for those officers;
- (10) Working out the basic management system of the Company;
- (11) Formulating proposals for amendment of the Articles of Association of the Company; and
- (12) Other authorities granted in compliance with the provisions of the Articles of Association or by the general meeting of the shareholders.

Resolutions by the board of directors on resolution matters referred to in the preceding paragraph shall be passed by the affirmative votes of more than half of the directors with the exception of resolutions on matters referred to in Items (6), (7) and (11), which shall require the affirmative votes of more than two-thirds of all the directors.

Resolutions made by the board of directors on the Company's transactions with its affiliates must be endorsed by an independent director before they can become effective.

99 When the board of directors disposes of fixed assets and the sum of the expected value of the consideration for the proposed disposal and the value of the consideration for disposal of fixed assets made in the four months immediately preceding the proposed disposal exceeds 33% of the value of the fixed assets shown in the last balance sheet placed before the shareholders' general meeting, the board of directors may not dispose of the fixed assets without the prior approval of the shareholders' general meeting.

For the purposes of this Article, the term "disposal of fixed assets" shall include the assignment of a certain interest in assets other than by way of security with the fixed assets.

The validity of transactions whereby the Company disposes of fixed assets shall not be affected by the breach of the first paragraph hereof.

Before making decisions on market development, mergers and acquisitions or investment in a new field, the Company shall engage an outside consultancy organization to provide a professional opinion to be used as an important basis for the board of directors' decision, if the investment or the merger/acquisition assets amount to 10% or more of its total assets.

100 The Board of Directors shall abide by the State laws and administrative regulations and perform its duties in compliance with the Articles of Association and resolutions made at the general meeting of the shareholders.

101 The board chairman shall perform the following powers:

- (1) Presiding over meetings of shareholders' general committee, and calling and presiding over meetings of the board of directors;
- (2) Supervising the implementation of resolutions adopted by the board of directors;
- (3) Signing bond certificates issued by the Company; and
- (4) Other functions and powers granted by the board of directors.

If the chairman of the board is unable to perform his functions and powers, he may instruct a vice chairman of the board to exercise such functions and powers on his behalf.

102 Meetings of the board of directors shall be held at least twice a year. Meetings of the board of directors shall be convened by the chairman of the board by giving a notice to all directors 10 days before the meetings are held. When there is an urgent matter, an extraordinary meeting of the board of directors may be held by the chairman of the board. If it is proposed to be convened by more than half of the directors, an extraordinary meeting of the board must be held. Where it is proposed to be held by more than one third of the directors or the general manager of the Company, an extraordinary meeting of the board may be held.

103 The form of a notice of meetings and extraordinary meetings of the board of directors and the time limit for notification shall be set forth as follows:

- (1) The time and place for the regular meeting of the board of directors, if prior prescribed by the board, need not be notified before convening hereof.
- (2) If the board of directors fails to decide in advance the time and place for the meeting of the board of directors, the chairman of the board shall send through the Secretary of the board at least 10 days earlier by telefax, telegraph, fax, express mail delivery or registered mail or appointed specific person to notify the directors and chairman of the board of supervisors.

- (3) The notice should be prepared in Chinese and attached with the English version hereof if necessary, including the agenda of the meeting.

For any important matter subject to decision by the board of directors, all of the executive directors and independent directors must be given advance notice by the statutory time and provided with sufficient information, and the meeting must be conducted in strict compliance with the prescribed procedures. The directors may demand that supplementary materials be provided. If one-quarter or more of the directors or two or more of the independent directors believe that there is insufficient information or that the arguments are inconclusive, they may jointly propose that the board meeting be postponed or that some of the matters to be discussed at the board meeting be discussed at a later time. In such circumstances the board of directors shall accept the proposal.

Any director of the board, if he/ she is already present at the meeting and has not proposed any objection of having not received the notice of the meeting before or when arriving at the meeting, shall be deemed as having been delivered with the notice of the meeting.

Regular meetings of the board or extraordinary meetings may be held through use of conference telephone or similar communications equipment, as long as all directors participating in the meeting can hear one another clearly and communicate properly, all participating directors shall be deemed to have been personally present at the meeting.

- 104 Meetings of the board of directors may be held only if more than half of the directors attend.

Each director shall be entitled to one vote. Any resolution made by the Board of Directors shall be passed by more than half of all the directors of the board unless otherwise expressly provided for in the Articles of Association. When the number of votes for and against a resolution is equal, the chairman of the board shall be entitled to one additional vote.

- 105 Meetings of the board of directors shall be attended by the directors in person. If a director is unable to attend a board meeting for any reason, he may appoint a proxy by a power of attorney to attend the meeting on his behalf. The scope of authorization shall be stated clearly in the power of attorney.

A director who attends a meeting on behalf of another director shall exercise the rights of a director within the scope of authority granted. If a director fails to attend a meeting of the board of directors and has not appointed a representative to attend on his behalf, he shall be deemed to have waived his voting rights in respect of that meeting.

For any matters that need to be passed through resolution adopted in an extraordinary meeting of the board of directors, if the board has already sent the resolution in writing due to be discussed to all the directors and the number of directors that have signed their consent about the resolution reaches such a number of directors necessary to make the resolution as formulated in Article 104 of the Article of Association, a valid resolution can be formed without convening a meeting of the board of directors.

- 106 The board of directors shall keep minutes of its decisions on the matters examined at their meetings. The opinions expressed by an independent (non-executive) director shall be clearly recorded in the board's resolutions. The directors attending a meeting and the person taking minutes shall sign the minutes of that meeting. The directors shall bear liability for the decisions of the board of directors. Where a resolution of the board of directors is in violation of laws, administrative regulations or the Company's Articles of Association, thereby causing serious losses to the Company, the directors who took part in the resolution shall be liable to the Company for damages. However, where a director can prove that he expressed his opposition to such resolution when it was put to the vote, and that such opposition was recorded in minutes of the meeting, the director may be relieved from such liability.

The Board of Directors may adopt the written motions instead of convening the meetings of the board but drafts of the said motions must be complete and comprehensive and delivered by designated persons (including Express Delivery), mail delivery or fax to each director. If the motion of the Board has been distributed to each director and the number of the directors that have signed their consent has reached the quorum to make the decision, after the motion has been delivered to the Secretary of the board, the motion shall become the resolution of the board without further convening the meeting of the board of directors.

CHAPTER 11 SECRETARY TO THE BOARD OF DIRECTORS

- 107 A secretary is set for board of directors of the Company and the secretary to the board shall be a member of the senior management staff of the Company.
- 108 The secretary to the board of directors shall be a natural person with the necessary professional knowledge and experience. He shall be appointed by the board of directors. Its main responsibilities are:
- (1) To guarantee that the Company has complete organizational documents and records;
 - (2) To ensure that the Company prepares and submits according to law the documents and reports required by the industrial and commercial administrative organs and other relevant authorities; and
 - (3) To guarantee that the Company's register of shareholders is properly established and that persons entitled to relevant records and documents of the Company obtain such records and documents in a timely manner.

109 Directors or other senior management staff of the Company may concurrently hold the office of secretary to the board of directors. No accountant of the accounting firm hired by the Company may concurrently hold the office of secretary to the board of directors.

If the office of secretary to the board of directors is held by a director of the Company and a certain act is to be done separately by a director and the secretary to the board of directors, the person who concurrently holds the offices of director and secretary to the board of directors may not perform such act in both capacities.

CHAPTER 12 COMPANY GENERAL MANAGER

110 The Company shall have one general manager who shall be appointed or dismissed by the board of directors. Several deputy general managers shall be appointed to assist and nominated by the general manager and appointed or dismissed by the board of directors. Directors of the board of the Company may concurrently be the general manager and deputy general manager. The general manager and the deputy general manager are the senior management staff of the Company.

111 The general manager of the Company shall be responsible for the board of directors and shall exercise the following authorities:

- (1) Being in charge of management of the company's production and operation, and organizing the implementation of resolutions adopted by the board;
- (2) Organizing the implementation of annual operating plans and investment programs of the Company;
- (3) Drafting the plan for the structure of the internal management of the Company;
- (4) Drafting the basic management scheme of the Company;
- (5) Formulating the basic rules and regulations of the Company;
- (6) Recommending for appointment or removal of the deputy general managers and the officer in charge of finance;
- (7) Appointing and removing officers of the company other than those to be appointed or removed by the board;
- (8) Other authorities prescribed by the Articles of Association and delegated by the board.

112 The general manager of the Company shall attend the meetings of the board of

directors, but if he is not a director, he shall not have the right to vote at such meetings.

113 The general manager and the deputy general manager(s) of the Company, when exercising their respective authorities, shall not change the resolution adopted by the meetings of the shareholders and the board of directors or exceed their respective scope of authorities.

114 In the exercise of his functions and powers, the general manager and the deputy general manager(s) of the Company shall perform his duties in good faith and with diligence in accordance with laws, administrative regulations and the Company's Articles of Association.

CHAPTER 13 BOARD OF SUPERVISORS

115 The Company shall have a board of supervisors.

116 The board of supervisors consists of 3 supervisors, one of whom shall be the chairman of the board of supervisors. A supervisor may serve a consecutive term of 3 years if reelected upon the expiration of his term. The chairman of board of supervisors shall be appointed and dismissed by two thirds or more of all the supervisors. The chairman of the board of supervisors may serve a consecutive term of 3 years if reelected upon the expiration of his term.

117 **More than one third of the members of the board of supervisors shall be employee representatives of the Company and other members hereof shall be shareholder representatives.** The shareholders' representatives shall be elected and removed by the shareholders' general meeting, and the representatives of the Company's staff and workers shall be democratically elected and removed by the Company's staff and workers.

118 A director, general manager, deputy general manager and the person in charge of finance of the Company shall not serve as a supervisor concurrently.

119 Meetings of the board of supervisors shall be held at least twice a year. The chairman of the board of supervisors shall be responsible for convening meetings of the board of supervisors.

120 Meetings of the board of supervisors shall be accountable to the shareholders' general meeting and exercise the following functions and powers according to law:

- (1) Examining the Company's financial affairs;
- (2) Supervising the Company's directors, general manager, deputy general manager and other senior management staff to see whether they violate any laws, regulations or the Company's Articles of Association during their performance of Company duties;
- (3) Requiring a director, the general manager, deputy general manager or

other senior management staff of the Company to correct an act as such act is harmful to the Company's interests;

- (4) Verifying financial information such as financial reports, business reports, profit distribution plans, etc. that the board of directors intends to submit to the shareholders' general meeting and, if in doubt, to be able to appoint, in the name of the Company, a registered accountant or practicing auditor to assist in reviewing such information;
- (5) Proposing for extraordinary shareholders' meetings;
- (6) Representing the Company in negotiating with or instituting legal proceedings against a director; and
- (7) Exercising other powers specified by the Articles of Association.

The supervisory board may make proposals concerning the accounting firm to be hired by the Company and, when necessary, in the Company's name appoint another accounting firm to independently investigate the Company's finances. The supervisory board may directly report circumstances to the State Council Authorities in charge of securities and other relevant authorities.

Supervisors shall attend meetings of the board of directors as non-voting attendants.

121 A resolution made by the board of supervisors shall be adopted by $\frac{2}{3}$ or more of the affirmative voting rights of the supervisors. The board of supervisors shall keep minutes of its decisions on the matters examined at their meetings. Such minutes shall be signed by the supervisors and recorders present at the meeting.

122 The reasonable expenses incurred by the board of supervisors in the employment of professionals such as lawyers, registered accountants, practicing auditors, etc. in the exercise of its functions and powers shall be borne by the Company.

123 Supervisors shall faithfully perform their supervisory duties in accordance with laws, administrative regulations and provisions of the Company's Articles of Association.

**CHAPTER 14 QUALIFICATIONS AND OBLIGATIONS OF THE COMPANY'S
DIRECTORS, SUPERVISORS, GENERAL MANAGER, DEPUTY GENERAL MANAGER
AND OTHER SENIOR MANAGEMENT STAFF**

124 None of the following persons may serve as a director, supervisor, general manager, deputy general manager or other senior management staff of the Company:

- (1) Without capacity for civil conducts or with limited capacity for civil

conducts;

- (2) Having been sentenced to prison for the following crimes, and completion of the sentence being less than 5 years ago: embezzlement, bribery, conversion of property, misappropriation of property, sabotage of social economic order; or having been deprived of political rights as a result of a criminal conviction, and completion of such sanction being less than 5 years ago;
- (3) Directors, or factory directors or managers who bear personal liability for the bankruptcy or liquidation of their Companies or enterprises due to mismanagement where three years have not lapse following the date of completion of such bankruptcy or liquidation;
- (4) Legal representatives of a company or enterprise which had its business license revoked due to a violation of the law and who are personally liable, where less than three years have elapsed since the date of the revocation of the business license;
- (5) Persons with relatively heavy individual debts that have not been settled upon maturity;
- (6) Persons whose cases have been established for investigation by the judicial authorities as a result of violation of the criminal law, and have not been closed;
- (7) Persons who may not act as leaders of enterprises by virtue of laws and administrative regulations;
- (8) Non-natural persons; and
- (9) Persons ruled by competent institutions as having violated securities-related regulations, where such violation involved fraudulent or dishonest acts and five years have not lapsed following the date of the ruling.

125 The validity of an act of a director, a supervisor the manager or other senior management staff of the Company on behalf of the Company towards a bona fide third party shall not be affected by any irregularity in his current position, election or qualifications.

126 In addition to obligations imposed by laws, administrative regulations or listing rules of the securities exchange(s) on which shares of the Company are listed, the Company's directors, supervisors, general manager, deputy general manager and other senior management staff shall lay the following obligations on each shareholder in the exercise of the functions and powers granted to them by the Company:

- (1) Not to cause the Company to act beyond the scope of business

stipulated in its business license;

- (2) To act honestly in the best interests of the Company;
- (3) Not to deprive the Company of its property in any way, including (but not limited to) any opportunities that are favorable to the Company; and
- (4) Not to deprive the shareholders of their individual rights or interests, (but not limited to) rights to distributions and voting rights, unless pursuant to a restructuring of the Company submitted to and adopted by the shareholders' general meeting in accordance with the Articles of Association of the Company.

127 The Company's directors, supervisors, general manager, deputy general manager and other senior management staff shall have an obligation, in the exercise of their rights or discharge of their obligations, to perform their due acts with care, diligence and skill as a reasonable and prudent person should do under similar circumstances.

128 The Company's directors, supervisors, general manager, deputy general manager and other senior management staff must, in the exercise of their duties, abide by the principles of honesty and credibility and shall not place themselves in a position where there is a conflict between their personal interests and their duties. This principle shall include (but not limited to) the fulfillment of the following obligations:

- (1) To act honestly in the best interests of the Company;
- (2) To exercise powers within the scope of their functions and powers and not to act beyond such powers;
- (3) To personally exercise the discretion invested in him, not to allow himself to be manipulated by another person and, not to delegate the exercise of his discretion to another party unless permitted by laws and administrative regulations or with the consent of the shareholders' general meeting that has been informed;
- (4) To be impartial to shareholders of the same category and of different categories;
- (5) Not to conclude a contract or enter into a transaction or arrangement with the Company except as otherwise provided in the Articles of Association of the Company or with the consent of the shareholders' general meeting that has been informed;
- (6) Not to use the Company property for his own benefit in any way without the consent of the shareholders' general meeting that has been informed;

- (7) Not to use his functions and powers as a means to accept bribes or other forms of illegal income, and not to illegally appropriate Company property in any way, including (but not limited to) any opportunities that are favorable to the Company;
- (8) Not to accept commissions in connection with Company transactions without the consent of the shareholders' general meeting that has been informed;
- (9) To abide by the Articles of Association of the Company, perform his duties faithfully, protect the interests of the Company and not to seek personal gain with his position, functions and powers in the Company;
- (10) Not to compete with the Company in any way without the consent of the shareholders' general meeting that has been informed;
- (11) Not to embezzle Company funds or lend them to others, not to deposit Company assets in accounts opened in his own or in another's name, not to use Company assets as security for the debts of the Company shareholders or other individuals; and
- (12) Not to disclose confidential information relating to the Company that was acquired by him during his office without the consent of the shareholders' general meeting that has been informed, and not to use such information except in the interests of the Company; however, such information may be disclosed to the court or other government authorities if:
 - (i) Required by legal provisions;
 - (ii) Required in the public interest; or
 - (iii) Required in the own interest of such director, supervisor, general manager and deputy general manager or other senior management staff of the Company.

129 A director, a supervisor, the general manager, the deputy general manager or other senior management staff of the Company may not cite the following persons or organizations (hereinafter referred to as Relevant Persons) to do what such director, supervisor, general manager, deputy general manager or other senior management staff may not do:

- (1) The spouse or minor child of such director, supervisor, general manager, deputy general manager or other senior management staff of the Company;
- (2) The trustee of a director, supervisor, general manager, deputy general manager or other senior management staff of the Company or of any person referred in Item (1) hereof;
- (3) The partner of a director, supervisor, general manager, deputy general

manager or other senior management staff of the Company or of any person referred in Items (1) and (2) hereof;

- (4) The company over which a director, supervisor, general manager, deputy general manager or other senior management staff of the Company, alone or jointly with any person referred to in Items (1), (2) and (3) hereof or any other director, supervisor, general manager, deputy general manager or other senior management staff of the Company, has actual control; and
- (5) A director, a supervisor, the general manager, deputy general manager or other senior management staff of the Company being controlled as referred to in Item (4) hereof.

130 The obligation and credibility of the Company's directors, supervisors, general manager, deputy general manager and other senior management staff does not necessarily cease with the termination of their office. Their confidentiality obligation in relation to the Company's trade secrets shall remain upon termination of their office. The term for which other obligations shall continue shall be decided upon in accordance with the principle of fairness, depending on the time lapse between the termination and the occurrence of the matter as well as the circumstances and conditions under which the relationship with the Company terminates.

131 A director, a supervisor, the general manager, deputy general manager or other senior management staff of the Company may be relieved from liability for a specific breach of obligations after the shareholders' general meeting has been informed, except in circumstances as specified in Article 56 of the Articles of Association.

132 If a director, a supervisor, the general manager, deputy general manager or other senior management staff of the Company has directly or indirectly vested a material interest in a contract, transaction or arrangement concluded or planned by the Company (except the employment contract of a director, a supervisor, the general manager, deputy general manager or other senior management staff with the Company), he shall disclose the nature and extent of his interest to the board of directors at the earliest opportunity, whether or not the matter is normally subject to the approval of the board of directors.

Unless otherwise formulated in the Articles of Association approved by SEHK, no director of the board shall vote for resolutions on any contract, arrangement or proposal concerning material interests therein or with any contact person (as defined in the securities listing rules of the Growth Enterprise Market of SEHK) or shall be counted into the relevant quorum. Such restrictions shall not apply to any of the following circumstances:

(1) (i) Guarantee for security or indemnity provided to a director or its contact person that lends money to, or causes or assumes obligations at the request or for their benefits of the Company or any affiliate hereto; or

(ii) The Company or any of its subsidiaries provides security or guarantee of compensation to any third party in respect to its debt or obligation, for which the director of the board or his connected person has assumed all or part of the debt or obligation (either individually or jointly) for a security, or guarantee for compensation or by provision of a mortgage;

(2) The director or its connected person owns or will own the equities due to any recommendation on the offer made by any other person or company for subscribe for or purchase the Company or shares, debentures or other securities owned by other companies (established at the sponsorship of the Company or whose equities are owned by the Company) and participation in contracted sales or sub-contracted sales of the offer.

(3) Any recommendation made about any other company, in which the director or its connected person has direct or indirect equities (either as a senior staff or an administrative staff or a shareholder); or any recommendation made about any other company, in which the director or its connected person actually has its shares but is not a partner (or any third company by which the director or its connected person obtains related equities) and any category he actually possesses has already issued;

(4) Any recommendation or arrangement concerning employees' benefits of the related company or its subsidiaries, including:

(i) Adoption, modification or implementation of the employee share scheme or any share incentive or share option scheme from which any director or its connected person shall benefit, or

(ii) Adoption, modification or implementation of the retirement fund scheme, retirement plans, death or disability benefit scheme related to the director, its connected person and employees of the Company or any of its subsidiaries, in which the director (or its connected person) has not enjoyed any special preference or benefit superior to that for any ordinary persons related to the scheme or fund; and

(5) Any contract or arrangement in which any director or its connected person possesses equities from only the shares or bonds or other securities of the company the same way as any other person that possesses the shares or bonds or other securities of the company.

Unless the interested director, supervisor, general manager, deputy general manager or other senior management staff of the Company has disclosed such interest to the board of directors as required under the preceding paragraph hereof and the matter has been approved by the board of directors at a meeting in which he was not counted in the quorum and had refrained from voting, the Company shall have the right to void the contract, transaction or arrangement, except the other party is a bona fide party acting without knowledge of the breach of obligation by the director, supervisor, general manager, deputy general manager or other senior management staff concerned.

A director, a supervisor, the general manager, deputy general manager or other senior management staff of the Company shall be deemed to have an interest in any contract, transaction or arrangement in which a Connected Person of that director, supervisor, general manager, deputy general manager or other senior management staff has an interest.

- 133 If a director, a supervisor, the general manager, deputy general manager or other senior management staff of the Company gives a written notice to the board of directors before the conclusion of the contract, transaction or arrangement is first considered by the Company, stating that due to the contents of the notice, he has an interest in the contract, transaction or arrangement that may subsequently be made by the Company, such director, supervisor, general manager, deputy general manager or other senior management staff of the Company shall be deemed for the purposes of the preceding Articles of this Part to have declared his interest, insofar as attributable to the scope stated in the notice.
- 134 The Company may not in any manner pay tax on behalf of its directors, supervisors, general manager, deputy general manager or other senior management staff.
- 135 The Company may not directly or indirectly provide a loan or loan security for its directors, supervisors, manager or other senior management staff, those of its parent company, or Relevant Persons of the above-mentioned persons.

The provisions of the preceding paragraph shall not apply to the following circumstances:

- (1) The provision of a loan or loan security by the Company for a subsidiary of the Company;
- (2) The provision of a loan or loan security or other funds by the Company to a director, a supervisor, the general manager, deputy general manager or other senior management staff of the Company under an employment contract approved by the shareholders' general meeting, so as to enable him to pay the expenses incurred for the sake of the Company or for the performance of his Company duties; and

- (3) The provision of a loan or loan security by the Company to a relevant director, a supervisor, the general manager, deputy general manager or other senior management staff of the Company or to a Relevant Persons thereof on normal commercial terms, if the ordinary business scope of the Company includes the lending of money or the provision of loan security.
- 136 A loan provided by the Company in violation of the preceding Article shall be immediately repayable by the recipient of the loan, regardless of the terms of the loan.
- 137 The Company may not be forced to perform a loan security provided by the Company in violation of the first paragraph of Article 135, except in any of the following circumstances:
- (1) When the loan is provided to a Relevant Person of a director, a supervisor, the general manager, deputy general manager or other senior management staff of the Company or its parent company, the loan provider is not aware of the condition; and
 - (2) The collateral provided by the Company has been lawfully sold by the loan provider to a bona fide purchaser.
- 138 For the purposes of the preceding Article of this Part, the term “collateral” shall include an act whereby a guarantor assumes liability or provides property to guarantee or secure the performance of obligations by an obligator.
- 139 If a director, a supervisor, the general manager, deputy general manager or other senior management staff of the Company breaches his obligations to the Company, the Company shall, in addition to any rights and remedies provided by laws and administrative regulations, have a right to:
- (1) Require the relevant director, supervisor, general manager, deputy general manager or other senior management staff to compensate for the losses sustained by the Company as a consequence of his dereliction of duty;
 - (2) Rescind any contract or transaction concluded by the Company with the relevant director, supervisor, general manager, deputy general manager or other senior management staff and contracts or with a third party (where such third party is aware or should be aware that the director, supervisor, general manager, deputy general manager or other senior management staff representing the Company was in breach of his obligations to the Company);
 - (3) Require the relevant director, supervisor, general manager, deputy general manager or other senior management staff to surrender the gains derived from the breach of his obligations;

- (4) Recover any funds received by the relevant director, supervisor, general manager, deputy general manager or other senior management staff that should have been received by the Company, including (but not limited to) commissions; and
- (5) Require the relevant director, supervisor, general manager, deputy general manager or other senior management staff to return the interest earned or possibly earned on the funds that should have been given to the Company.

140 The Company shall include a written contract with each director and supervisor of the Company concerning his emoluments. Such contract shall be approved by the shareholder' general meeting before it is entered into. The above-mentioned emoluments shall include:

- (1) Emoluments in respect of his service as a director, supervisor or senior management staff of the Company;
- (2) Emoluments in respect of his service as a director, supervisor or senior management staff of a subsidiary of the Company;
- (3) Emoluments otherwise in connection with the management of the Company or any subsidiary thereof; and
- (4) Funds as compensation for his loss of office or retirement to the aforementioned directors and supervisors.

A director or supervisor may not sue the Company for his benefits due to him on the basis of the above-mentioned matters, except under a contract as mentioned above.

141 The Company shall specify in the contract concluded with a director or supervisor of the Company concerning his emoluments that in the event of a takeover of the Company, a director or supervisor of the Company shall, subject to prior approval of the shareholders' general meeting, have the right to receive the compensation or other funds obtainable for loss of office or retirement.

For the purposes of the preceding paragraph, the term "takeover of the Company" shall refer to any of the following circumstances:

- (1) Anyone makes a general offer to all the shareholders; or
- (2) Anyone makes a general offer so that the offeror becomes a controlling shareholder. Such controlling shareholder shall be defined the same way as the "Controlling Shareholder" mentioned in Article 57 of the Articles of Association.

If the relevant director or supervisor has failed to comply with this Article, any fund received by him shall belong to those persons that have sold their shares as a result of their acceptance of the above-mentioned offer, and the expenses incurred in distribution of such fund on a pro rata basis shall be borne by the relevant director or supervisor and may not be paid out of such fund.

CHAPTER 15 FINANCIAL AND ACCOUNTING SYSTEMS AND DISTRIBUTION OF PROFITS

142 The Company shall formulate its own financial and accounting systems in accordance with laws, administrative regulations and China's Accounting Standards formulated by the State Council's department in charge of finance.

143 The Company shall prepare financial reports at the end of each fiscal year. Such reports shall be examined and verified according to law.

The financial and accounting reports of the Company shall include the following financial and accounting statements and subsidiary statements:

- (1) The balance sheet;
- (2) Profit and loss statement;
- (3) Table for Cash Flows;
- (4) Statement of Profit Distribution.

The accounting year of the Company shall coincide with the calendar year, i.e., from January 1 to December 31 of each year on the Gregorian calendar. The first Fiscal Year of the Company shall be from the date of establishment hereof to December 31st of the same year.

The Company adopts Renminbi (RMB) as its accounts keeping currency and its accounts shall be written in Chinese.

144 The board of directors of the Company shall place before the shareholders at each shareholder's general meeting such financial reports as relevant laws, administrative regulations and normative documents promulgated by the local government and the authorities-in-charge require the Company to prepare.

145 The financial and accounting reports of the Company shall be available at the company's premises for shareholders' inspection as from the 20th day prior to the annual meeting of shareholders' general committee. Each shareholder of the Company shall have the right to obtain a copy of the financial reports referred to in this Part.

The Company shall send at least 21 days prior to the convening of the annual meeting of the shareholder's general meeting copies of the said reports to each holder of foreign investment shares listed outside the People's Republic of China by prepaid mail to the recipient's address shown in the register of shareholders.

146 The financial statements of the Company shall be prepared not only in accordance with China's accounting standards, laws and regulations but also in accordance with international accounting standards or the accounting standards of the place(s) outside the People's Republic of China where shares of the Company are listed. If there are major differences in the financial statements prepared in accordance with these two sets of accounting standards, such differences shall be stated in notes to such financial statements. For purposes of the Company's distribution of after-tax profits in a given fiscal year, the smaller amount of after-tax profits shown in the above-mentioned two kinds of financial statements shall govern.

147 Interim results or financial information published or disclosed by the Company shall be prepared in accordance with China's accounting standards, laws and regulations as well as international standards or the accounting standards of the place(s) outside the People's Republic of China where shares of the Company are listed.

148 The Company shall publish two financial reports each fiscal year, namely an interim financial report within 60 days after the end of the first six months of the fiscal year and an annual financial report within 120 days after the end of the fiscal year.

Upon completion of the Company's interim financial reports and annual reports, procedures and public notice shall be handled in accordance with the provision of the State laws, administrative regulations and provision of the securities exchange on which the Company stocks got listed.

149 The Company may not keep accounting books and records other than those provided by law.

150 The after-tax profits of the Company shall be distributed by order as follows:

- (1) Compensation for losses;
- (2) Withdrawal of legal public accumulation funds;
- (3) Withdrawal of legal public welfare funds;
- (4) Withdrawal of discretionary reserve fund;
- (5) Payment of Common Stock dividends.

The legal public accumulation funds shall be 10% of the Company's after-tax profit and withdrawal hereof may stop when its accumulated amount reaches 50% of the Company's registered capital. The board of directors of the Company shall, in compliance with the State laws, administrative regulations, operating conditions and requirements for development of the Company, determine the specific proportion of profit distribution mentioned in Items (3) to (5) herein and submit it to the general meeting of the shareholders for approval.

The Company shall not distribute the dividends before making up for losses or withdrawal of the legal public accumulation funds and legal public welfare funds.

151 The capital accumulation fund shall include the following funds:

- (1) The premiums obtained from the issue of shares in excess of the par;
and
- (2) Other revenues required by the State Council's department in charge of finance to be included in the capital accumulation fund.

152 Use of the Company's accumulation fund shall be limited to the following items:

- (1) Compensation for losses;
- (2) Expansion of the Company production and business operation;
- (3) Increase of the Company's capital.

When the public accumulation fund of the Company is converted to capital in accordance with a resolution passed at a general meeting of the shareholders, the Company either distributes new shares in proportion to the shareholders' number of shares, or increases the par value of each share. Provided, however, upon conversion of legal public accumulation fund into capital, the amount remaining in the accumulation fund may not fall below 25% of the registered capital.

153 The legal public welfare fund allocated by the Company shall be used for the collective welfare of the employees thereof.

154 The dividends shall be distributed among shareholders in proportion to the number of shares they are holding.

155 The Company may distribute the dividends in the means as follows:

- (1) Cash;
- (2) Stock certificates.

156 Dividends paid by the Company to its holders of domestic investment shares shall be priced and announced in RMB and paid in RMB and the dividends paid by the Company to holders of foreign investment shares shall be priced and announced in RMB and paid in Hong Kong dollars.

The foreign exchange needed by a company to pay share dividends to holders of foreign investment shares shall be handled in accordance with the relevant State regulations concerning control of foreign exchange.

The Company shall have the right to confiscate any unclaimed dividend upon expiry of the relevant applicable time limit.

157 The Company shall follow the provisions of tax laws of China to withhold and pay the tax payables for dividend revenues of the shareholders.

158 The Company shall appoint recipient agents for holders of foreign investment shares listed outside the People's Republic of China. Such recipient agent shall collect on behalf of the relevant shareholders the dividends distributed and other funds payable in respect of foreign investment shares listed outside the People's Republic of China.

The recipient agents appointed by the Company shall meet the requirements of the laws of the place(s), or the relevant regulations of the securities exchange(s), where the shares are listed.

Recipient agents of holders of the overseas-listed foreign investment shares which have been listed in SEHK shall be a trust company registered by the Trustee Ordinance of Hong Kong.

159 As the Company sends the dividends warrant to its shareholders by mail, if the warrant has been sent to the shareholder for two consecutive times and failed to be cashed, the Company shall have the right to stop sending the dividends warrant to this shareholder by mail. If the dividends warrant is sent for the first time to the shareholder but fails to be received hereby and is returned back, the Company shall have the right to exercise the power.

160 The Company shall, under the conditions which meet the following provisions, have the right to take back the shares of the holders unable to be contacted and sell them to any other person:

- (1) The Company has, within twelve years, already distributed dividends for at least three times, during which the dividends have not be claimed by any body; and
- (2) The Company has published public announcements on newspapers at expiry of the twelve-year period, stated its intention to sell shares and notified SEHK.

CHAPTER 16 EMPLOYMENT OF AN ACCOUNTING FIRM

161 The Company shall employ an independent accounting firm that complies with relevant State regulations to audit the annual financial reports and other financial reports of the Company.

The first accounting firm of the Company may be employed by the inaugural meeting prior to the first annual shareholders' meeting. Such accounting firm shall hold office until the conclusion of the first annual shareholders' meeting.

If the inaugural meeting does not exercise its power specified under the preceding paragraph, the board of directors shall exercise such power.

162 The period of appointment of a certified accountants office starts from the date when the first annual shareholders meeting ends to the date when the next annual shareholders meeting ends.

- 163 An accounting firm employed by the Company shall have the following rights:
- (1) The right of access at all times to the account books, records or vouchers of the Company and the right to require directors, the general manager, deputy general manager and other senior management staff of the Company to provide the relevant information and explanations;
 - (2) The right to require the Company to take all reasonable measures to obtain from its subsidiaries the information and explanations necessary for the accounting firm to perform its duties; and
 - (3) The right to attend shareholders' meeting, receive a notice or other information concerning any meetings of or concerning which shareholders have a right to receive a notice or other information, and to be heard at any shareholders' meetings on any matter which relates to it as the accounting firm of the Company.
- 164 If the position of accounting firm becomes vacant, the board of directors may appoint an accounting firm to fill such vacancy before a shareholders' general meeting is held. However, if there are other accounting firms holding the position of accounting firm of the Company while such vacancy still exists, such accounting firms shall continue to act.
- 165 The shareholders' general meeting may, by means of an ordinary resolution, dismiss any accounting firm prior to the expiration of its term of employment, notwithstanding anything in the contract between the accounting firm and the Company. The accounting firm shall have the right to claim damages from the Company in respect of such dismissal without prejudice to the relevant rights hereof.
- 166 The remuneration or method of remuneration of an accounting firm shall be decided upon by the shareholders' general meeting. The remuneration of an accounting firm employed by the board of directors shall be determined by the board of directors.
- 167 The employment, dismissal or refusal of the renewal of the employment of an accounting firm shall be decided upon by the shareholders' general meeting and reported to the State Council authorities in charge of securities for the record.

Any resolution adopted at the general meeting of shareholders for employment of an accounting firm not holding the present office to fill up any vacancy of the accounting firm, or renewal of employment of an accounting firm employed by the board of directors to fill up the vacancies, or dismissal of an accounting firm prior to the expiration of its term of employment shall comply with the following provisions:

- (1) Motions concerning employment or dismissal shall, prior to issuance of the notice of shareholder's general meeting, be sent to the certified public accounting firm which is already appointed, or has left its post or has left its post within relevant fiscal years (leaving the post herein should include dismissal, resignation and retirement).

- (2) If the accounting firm to leave its office makes a written statement and requires the Company to make its shareholders informed hereof, the Company shall, unless receiving the written statement too late, adopt the following measures:
 - (i) The statement made by the accounting firm which has left its post shall be specified on the notice issued for making the resolution.
 - (ii) The duplicate of the statement shall be attached to the notice and sent to the shareholders by the manner prescribed in the Articles of Association.

- (3) If the Company fails to send the statement of the accounting firm as specified in Item (2) of this Article, the accounting firm may require the statement to be read at the general meeting of the shareholders and make further complaint.

- (4) The accounting firm which has left its post shall have the right to attend the following meetings:
 - (i) The shareholders' general meeting whose term of office should have expired;
 - (ii) The shareholders' general meeting convened for filling up the vacancy due to the dismissal;
 - (iii) The shareholders' general meeting convened for the active resignation from the post.

The accounting firm having left the post shall have the right to receive a notice or other information concerning any meeting specified in Item (4) of this Article or concerning which it shall have a right to receive a notice or other information, and to be heard at any of the prior-mentioned meetings on any matter which relates to it as the precursor accounting firm of the Company.

168 The company shall inform the accounting firm in advance when it intends to dismiss or not renew the appointment of it. The accounting firm shall have the right to give its opinions on the dismissal or non re-appointment to the shareholders' meeting. Where the accounting firm applies to resign from its office, it shall make a statement to the shareholders' meeting whether or not the company has conducted any inappropriate transactions.

The accounting firm may resign its office by depositing a notice in writing to that effect at the domicile of the Company. The notice shall become effective as of the date when deposited at the domicile of the Company or a later date specified in the notice. The notice shall include the following statements:

- (1) The statement regarding that the resignation does not include the accounting of situations to the Company's shareholders or creditors;
- (2) Any statement which shall specify the situations.

The Company shall, within 14 days from receipt of the above notice, distribute the copies hereof to the relevant competent authorities. If the notice carries the statement mentioned in Item (2) of the previous clause, the Company shall place the duplicate of the statement at the domicile of the Company for inspection by shareholders. The Company shall send copies of the said statements to each holder of foreign investment shares listed outside the People's Republic of China by prepaid mail at the recipient's address shown in the register of shareholders.

The accounting firm, if its notice of resignation includes statement on any situation to account for, may require the board of directors to convene an extraordinary shareholder's meeting where explanation will be made about its resignation.

CHAPTER 17 INSURANCE

- 169 Various insurances, coverage, insured amount and insurance period of the Company shall be decided by the board of directors of the Company in compliance of the State laws, administrative regulations, or practices of the same industry of China and other countries and specific conditions of the Company.

CHAPTER 18 LABOR PERSONNEL SYSTEM AND LABOR UNION

- 170 The Company shall formulate the labor personnel system which suits its specific situations properly in compliance with the provisions of the Labor Law of the People's Republic of China, other relevant laws of the State and administrative regulations.
- 171 The Company shall implement the labor contract system and expressly stipulate in the labor contracts due to be signed with its employees such items as recruitment, employment, dismiss, reward, punishment, wages, welfare benefits, labor, disciplines and labor protection of the employees.
- 172 The Company shall implement the provisions of the laws and regulations of China on protection and insurance of the retiring and dismissed employees.
- 173 The Company shall set the Labor Union in accordance with the Trade Union Act of the People's Republic of China and its employees shall have the right to participate in activities held by its Labor Union.

The Company shall appropriate a sum of outlay to its Labor Union, which shall use this sum of money in accordance with the Methods for Use of Outlay of the Labor Union formulated by the All-China Federation of Trade Unions.

CHAPTER 19 MERGER AND DIVISION OF THE COMPANY

- 174 The merger or division of the Company shall require the preparation of a proposal by the board of directors. After such proposal has been adopted in accordance with the procedures specified in the Articles of Association of the Company, relevant examination and approval procedures shall be carried out according to law. Shareholders that oppose such proposal on the merger or division of the Company shall have the right to require the Company or shareholders that are in favor of such proposal to purchase their shares at a fair price.

The contents of resolutions approving the merger or division of the Company shall be compiled in a special document for inspection by shareholders. Such documents shall be distributed by mail to holders of foreign investment shares listed outside China.

- 175 Merger of companies may take the forms of acquisition and consolidation.

In a merger, the Company to be merged shall execute a merger agreement, and prepare its balance sheets and schedules of assets. The Company shall notify its creditors within a period of 10 days from the date on which the merger resolution is passed and publish at least three newspaper announcements on the merger within 30 days of that date. Creditors shall, within 30 days of receiving a written notice or within 90 days of the date of the first public announcement for those who have not received a written notice, be entitled to require the Company to pay its debts in full or to provide a corresponding guarantee. The Company may not be merged unless debts are fully paid or appropriate assurances are provided.

Upon completion of the merger, the Company that exists or the newly established company shall succeed to the claims and debts of the parties to the merger.

- 176 If the Company is to be divided, its property shall be divided accordingly.

For division of the Company, the parties to the division shall enter into a division agreement and prepare balance sheets and an asset list. The Company shall notify its creditors within a period of 10 days as of the date on which the division resolution is passed and publish on at least three newspaper announcements on the merger within 30 days from that date. Creditors shall, within 30 days of receiving a written notice or within 90 days of the date of the first public announcement for those who have not received a written notice, be entitled to require the Company to pay its debts in full or to provide a corresponding guarantee. The company may not be divided unless debts are fully paid or appropriate assurances are provided.

Debts owed by the Company prior to the division shall be assumed by the company in existence after the division in accordance with the agreement reached.

177 Where the merger or division of the Company involves a change in registered particulars, such change shall be registered with the company registry according to law. Where the Company is dissolved, it shall cancel its registration according to law. Where a new company is established, its establishment shall be registered according to law.

CHAPTER 20 DISSOLUTION AND LIQUIDATION OF A COMPANY

178 The Company shall be liquidated according to law in any of the following circumstances:

- (1) The shareholders' committee has adopted a resolution for dissolution;
- (2) It is necessary to be dissolved due to merger or division of the company;
and
- (3) If the Company is declared bankrupt according to law because it is unable to pay its debts upon maturity; or
- (4) If the Company is lawfully ordered to close down as a result of violation of laws and administrative regulations.

179 Where the Company is to be dissolved pursuant to Item (1) of the preceding Article, it shall establish a liquidation committee within 15 days. The members of such liquidation committee shall be determined by the shareholders' general meeting by way of an ordinary resolution. If a liquidation group to carry out liquidation procedures is not set up within the specified time limit, the creditors may apply to the people's court to have it designate relevant persons to form a liquidation group in order to carry out liquidation procedures.

Where the Company is to be dissolved pursuant to Item (3) of the preceding Article, the people's court shall, in accordance with relevant laws, arrange for the shareholders, relevant authorities and relevant professionals to establish a liquidation committee to carry out liquidation.

Where the Company is to be dissolved pursuant to Item (4) of the preceding Article, the relevant authorities in charge shall arrange for the shareholders, relevant authorities and relevant professionals to establish a liquidation committee to carry out liquidation.

180 If the board of directors decides that the Company should be liquidated (except the liquidation as a result of company's declaration of bankruptcy), the notice of the shareholders' general meeting convened for such purpose shall include a statement to the effect that the board of directors has made full inquiry into the position of the Company and that the board holds the opinion that the Company can pay its debts in full within 12 months after the announcement of liquidation.

The functions and powers of the board of directors shall terminate immediately after the shareholders' general meeting has adopted a resolution to carry out liquidation.

The liquidation committee shall take instructions from the shareholders' general meeting, and not less than once a year make a report to the shareholders' general meeting on the committee's income and expenditure, the business of the Company and the progress of the liquidation. It shall make a final report to the shareholders' general meeting when the liquidation is completed.

- 181 The liquidating committee shall notify creditors within 10 days of its establishment, and shall make a public announcement in a newspaper at least 3 times within 60 days. Creditors shall file their creditor's rights with the liquidating committee within 30 days as of receipt of the notice, and within 90 days of publication of the first notice if such creditors did not receive the notice. Creditors who fail to lodge their claims during the respective periods shall be deemed to have abandoned their rights.

When reporting creditors' rights, the creditor shall provide an explanation of matters relevant to the creditor's rights and shall provide evidentiary materials. Claims shall be registered by the liquidation committee.

- 182 The liquidating committee may exercise the following powers in the course of liquidation:

- (1) Liquidate the assets of the Company, and produce balance sheets and the schedule of assets;
- (2) Notifying creditors through notice or public announcement;
- (3) Disposing and liquidating the businesses of the company that have not been completed;
- (4) Making full payment of taxes owed;
- (5) Clearing off credits and debts;
- (6) Disposing the residual properties; and
- (7) Participating in the civil proceedings of the company.

- 183 After identifying the Company's assets and preparing the balance sheet and schedule of assets, the liquidating committee shall prepare a liquidating plan, which shall be submitted to the shareholders' committee or the relevant authority for ratification.

If the company's assets are sufficient for payment of company debts, such assets shall be paid out in the following order: payment of liquidation expenses, payment of wages and expenses for labor insurance of the workers, payment of taxes owed, and payment of company debts.

Company property left after full payment in accordance with the provisions of the preceding paragraph shall be distributed to the Company's shareholders according to the category and proportion of their shareholding.

In the course of liquidation, the company may not conduct new business.

184 After putting the company's property in order and preparing a balance sheet and an inventory of property in connection with liquidation of the company resulting from dissolution, the liquidation group discovers that the company's assets are insufficient to repay the company's debts, the liquidation group shall immediately apply to the people's court for a bankruptcy declaration.

Once the company is adjudged bankrupt by a ruling of the People's Court, the liquidating committee shall transfer the liquidating affairs to the People's Court.

185 Following the completion of liquidation, the liquidation committee shall formulate a liquidation report, a revenue and expenditure statement and financial account books in respect of the liquidation period and, after verification thereof by an accountant registered in China, submit the same to the shareholders' general meeting or the relevant authorities in charge for confirmation.

Within 30 days from the date of confirmation of the above-mentioned documents by the shareholders' general meeting or the relevant authorities in charge, the liquidation committee shall deliver the same to the company registry, apply for cancellation of the Company's registration and publicly announce the Company's termination.

CHAPTER 21 AMENDMENT PROCEDURES OF THE ARTICLES OF ASSOCIATION

186 The Company may amend its Articles of Association in accordance with laws, administrative regulations and its Articles of Association.

187 Where an amendment to the Company's Articles of Association involves matters provided for in the Prerequisite Clauses for the Articles of Association of Companies Seeking a Listing outside the PRC (Prerequisite Clauses), it shall become effective after being examined and approved by the Company Approving Departments authorized by the State Council and the State Council Authorities in charge of securities. Where an amendment to the Company's Articles of Association involves matters of company registration, the registration shall be amended according to law.

CHAPTER 22 NOTICES

188 unless otherwise stipulated in the Articles of Association, the notices, documents, data or written statements distributed by the Company to its shareholders may be delivered to the address of each shareholder recorded on the register by specific persons (including express delivery) or by mail or delivered by publishing a notice on the newspapers and periodicals.

The relevant notices, documents, data or written statements, if distributed by means of public announcement, shall be published on the newspapers and periodicals openly issued in Hong Kong (or the place(s) where the shareholder live(s)) and/or designated by the State securities regulators and a proper time period shall be reserved for shareholders whose addresses are recorded as in Hong Kong have enough time to exercise their respective rights or act in accordance with the provisions of the public announcement. Once the announcement is published, all holders shall be deemed as having received relevant notices, documents, data or written statements.

- 189 Where the Company distributes the notices, documents, data or written statements by mail to holders of foreign investment shares listed outside China, the address of the recipient holder must be expressly written with postage prepaid and the notices, documents, data or written statements placed into the envelope before mailed out. This recipient shareholder shall be deemed as having received the letter containing notices, documents, data or written statements 5 days after they are distributed by mail.
- 190 The notices, documents, data or written statements sent to the Company by the shareholders, directors of the board and supervisors of the board may be delivered by specific persons (including Express Delivery) or in a registered mail to the domicile of the Company.
- 191 A shareholder, a director of the board or a supervisor of the board shall, if intending to prove that he has, in accordance with the regulations provided in the proceeding paragraph, sent any notice, document, data or written statement to the Company, provide such evidentiary materials as can prove that the prior-said notice, document, data or written statement has been delivered to the Company within the designated time limit by specific persons, or by Express Delivery or in a registered mail with postage prepaid, address of the Company correctly written and the notice, document, data or written statement placed into the envelope before delivered to the domicile of the Company.

CHAPTER 23 SETTLEMENT OF DISPUTES

- 192 The Company shall follow the rules below to settle any dispute:
- (1) If any dispute or claim concerning the Company's business on the basis of the rights or obligations provided for in the Articles of Association of the Company or in the Company Law or other relevant laws or administrative regulations arises between a holder of foreign investment shares listed outside China and the Company, between a holder of foreign investment shares listed outside China and a director, a supervisor, the general manager, the deputy manager or other senior management staff of the Company or between a holder of foreign investment shares listed outside China and a holder of domestic investment shares, the parties concerned shall submit the dispute or claim for arbitration.

When a dispute or claim as described above is submitted for arbitration, such dispute or claim shall be in its entirety, and all persons (being the Company or shareholders, director, supervisors, the general manager, the deputy general manager or other senior management staff of the Company) that have a cause of action due to the same facts or whose participation is necessary for the settlement of such dispute or claim shall abide by arbitration.

Disputes concerning the definition of shareholders and the register of shareholders shall not be required to be settled by means of arbitration;

- (2) A dispute or claim submitted for arbitration may be arbitrated, at the option of the arbitration applicant, by either the China International Economic and Trade Arbitration Commission in accordance with its arbitration rules or the Hong Kong International Arbitration Centre in accordance with its securities arbitration rules. After the arbitration applicant has submitted the dispute or claim for arbitration, the other party must carry out arbitration in the arbitration institution selected by the applicant.

If the arbitration applicant opts for arbitration by the Hong Kong International Arbitration Centre, either party may request arbitration to be conducted in Shenzhen in accordance with the securities arbitration rules of the Hong Kong International Arbitration Centre;

- (3) Unless otherwise provided by laws or administrative regulations, the laws of the People's Republic of China shall apply to the settlement by means of arbitration of disputes or claims referred to in Item (1); and
- (4) The award of the arbitration institution shall be final and binding upon each party.

CHAPTER 24 SUPPLEMENTARY PROVISIONS

- 193 The newspapers and periodicals referred to in the Articles of Association for publishing the public announcement shall be the newspapers and periodicals designated by the relevant laws and administrative regulations of the State. The public announcement to be distributed in accordance with the provisions of the Articles of Association to holders of foreign investment shares listed outside China shall also be published on the newspapers and periodicals designated and defined by the listing rules of SEHK.
- 194 The term “accounting firm” as used in the Prerequisite Provisions shall have the same meaning as auditor.
- 195 The Company’s board of directors shall, within the scope allowed by the State laws and administrative regulations, have the right to make explanations about the Articles of Association.
- 196 The Articles of Association shall be compiled in Chinese. In the event of discrepancy between the Chinese version and any other foreign language version, the Chinese version shall prevail.

MUDAN AUTOMOBILE SHARES COMPANY LIMITED