

Set out below is a summary of the principal provisions of the Articles of Association which were adopted and amended at the extraordinary shareholders' meetings of the Company held on 2nd November, 2002 and 28th June, 2003, respectively. A copy of the full Chinese text of the Articles of Association, together with a certified English translation thereof, is available for inspection as mentioned in the paragraph headed "Documents Available for Inspection" in Appendix VIII.

(1) DIRECTORS AND BOARD OF DIRECTORS

(a) Power to allot and issue shares

There is no provision in the Articles of Association empowering the board of Directors to allot or issue shares. In order to allot or issue shares, the board of Directors shall prepare a plan which shall be approved by shareholders in general meeting by way of a special resolution and submit the plan to the relevant government authorities for approval.

(b) Power to dispose of the Company's or any of its subsidiaries' assets

The Board of Directors shall not, without the approval of shareholders in general meeting, dispose or agree to dispose of any fixed assets of the Company where the aggregate of: (i) the value of the consideration for the proposed disposition; and (ii) where any fixed assets of the Company have been disposed of in the period of four months immediately preceding the proposed disposition, the amount or value of the consideration for any such disposition, exceeds 33% of the value of the Company's fixed assets as shown in the last audited balance sheet placed before the shareholders in general meeting. The Board of Directors may apply not exceeding 10% of the value of the Company's net assets as shown in the latest audited accounts for investment. The Board of Directors shall establish strict supervision and decision making procedures. Major investment project shall be assessed by experts and professional personnel and seek approval in shareholders' meetings. The board of Directors is authorised to provide security for other parties' debt not exceeding RMB50 million. In case of debts of the company's subsidiaries or associated companies, the board of Directors may provide security within the limit of net asset value as disclosed in the latest audited accounts or in proportion to its shareholdings in such Company. For the purposes of this provision, disposition includes an act involving a transfer of an interest in property other than by way of security.

The validity of a transaction for the disposition of fixed assets by the Company shall not be affected by a breach of the above-mentioned restriction contained in the Articles of Association.

(c) Compensation or payments for loss of office

In the contract for emoluments entered into by the Company with a Director or Supervisor, provisions shall be made for the right of the Director or Supervisor to receive, after obtaining the prior consent of shareholders in general meeting, payments by way of compensation for loss of office or for his retirement from office. Such contract of emoluments shall make provision for

the right of a Director or Supervisor, in connection with the takeover of the Company, subject to the approval of the shareholders in a general meeting, to receive compensation or other payment for loss of office or for his retirement for office. A takeover of the Company means:

- (i) an offer made to all shareholders of the Company; or
- (ii) an offer is made such that the offeror will become the controlling shareholder of the Company (as defined in the Articles of Association).

If the relevant Director or Supervisor does not comply with above provisions, any sum received by the Director or Supervisor on account of the payment shall belong to those persons who have sold their shares as a result of the offer, and the expenses incurred by the Directors or Supervisor in distributing that sum pro rata amongst those persons shall be borne by him and not deducted from the sum distributed.

(d) Loans to directors

The Company is prohibited from directly or indirectly making any loan to its Directors, Supervisors, general manager or other officers or those of its holding company, providing any guarantee in connection with a loan made by any person to such a Director, Supervisor, general manager or other officer, or making a loan to or providing any guarantee in connection with any loan made by any person to a person connected to such a Director, Supervisor, general manager or other officer.

A loan made by the Company in breach of the prohibition described above shall be forthwith repayable by the recipient of the loan regardless of the terms of the loan. A guarantee for a loan provided by the Company in breach of the prohibition referred to in first paragraph of (d) referred to in paragraph above shall be unenforceable against the Company unless:

- (i) the guarantee was provided in connection with a loan to a person connected with a Director, Supervisor, general manager or other officer of the Company or its holding company and at the time the loan was advanced the lender did not know of the relevant circumstances, or
- (ii) the collateral provided by the Company has been lawfully disposed of by the lender to a bona fide purchaser.

The following transactions are not subject to the foregoing prohibition:

- (i) the provision of a loan or a guarantee for a loan by the Company to a company which is a subsidiary of the Company;

- (ii) the provision of a loan or a guarantee for a loan by the Company, under a service contract with any of its Directors, Supervisors, general manager or other officers as approved by shareholders in general meeting and the provision of funds by the Company to any of its Directors, Supervisors, general manager or other officer to meet expenditure incurred or to be incurred by him for the purposes of the Company or for the purpose of enabling him properly to perform his duties; and
- (iii) the Company may make a loan to or provide a guarantee in connection with a loan by another person to any of its Directors, Supervisors, general manager or other officers or other connected persons where the ordinary course of its business includes the making of loans or the giving of guarantees and provided that the making of such loans or the giving of such guarantees is on normal commercial terms.

For these purposes, guarantee includes an undertaking or property provided to secure the performance of obligations by the obligor.

(e) **Giving of financial assistance to purchase the Company's or any of its subsidiaries' shares**

Subject to the Articles of Association:

- (i) neither the Company nor any of its subsidiaries shall at any time or in any manner provide financial assistance to a person who acquires or is proposing to acquire shares in the Company. The said person includes any person who has directly or indirectly incurred a liability as a result of the acquisition of shares in the Company; and
- (ii) neither the Company nor any of its subsidiaries shall at any time or in any manner provide financial assistance to the person mentioned in the foregoing paragraph for the purposes of reducing or discharging his liabilities.

The following transactions are not prohibited:

- (i) the provision of financial assistance where the Company's principal purpose for giving that assistance is genuinely for the Company's interest and not to give it for the purpose of acquiring the Company's shares or the giving of the assistance is but an incidental part of some broader purpose of the Company;
- (ii) a distribution of the Company's assets by way of dividend lawfully declared;
- (iii) a distribution of dividends by way of bonus shares;
- (iv) a reduction of share capital, repurchase of shares of the Company or a reorganisation of the share capital effected in compliance with the Articles of Association;

- (v) the provision of loans by the Company in the ordinary course of its business, provided that the Company's net assets are not thereby reduced or, to the extent that those assets are thereby reduced, the assistance is provided out of distributable profits; and
- (vi) the provision of money by the Company for contributions to employees' share schemes provided that the Company's net assets are not thereby reduced or, to the extent that those assets are thereby reduced, the assistance is provided out of distributable profits.

For these purposes,

- (i) "financial assistance" includes, without limitation:
 - (aa) assistance given by way of gift;
 - (bb) assistance given by way of guarantee (including the provision of any undertaking or property to secure the performance of obligations by the obligor) or indemnity, (other than an indemnity in respect of the Company's own default) or by way of release or waiver;
 - (cc) assistance given by way of a loan or any other agreement under which the obligations of the Company are to be fulfilled before the obligations of another party to the agreement or by way of the novation of or the assignment of rights arising under such loan or such other agreement; or
 - (dd) assistance given by the Company in any other manner when the Company is insolvent or has no net assets or where its net assets would thereby be reduced to a material extent; and
 - (ii) "incurring a liability" includes changing one's financial position by making an agreement or arrangement (whether enforceable or unenforceable, and whether made on one's own account or with any other person) or by any other means.
- (f) **Disclosure of interests in contracts with the Company or any of its subsidiaries**
- (i) Where a Director, Supervisor, general manager or other officer is in any way, directly or indirectly, materially interested in a contract, transaction or arrangement or proposed contract, transaction or arrangement with the Company other than his contract of service, he shall declare the nature and extent of his interest to the board of Directors at the earliest opportunity, whether or not the contract, transaction or arrangement or proposal therefore is otherwise subject to the approval of the Directors. The relevant Director shall not vote on such contract, transaction or arrangement nor be counted in the quorum in the meeting.

- (ii) Unless the interested Director or Supervisor, general manager or other officer has disclosed his interest in accordance with the Articles of Association and the contract, transaction or arrangement has been approved by the board of Directors at a meeting at which the interested Director, Supervisor, general manager or other officer is not counted in the quorum and has refrained from voting, a contract, transaction or arrangement in which a Director, supervisor, general manager or other officer is materially interested can be rescinded at the instance of the Company provided that such rescission will not affect the validity of such contract, transaction or arrangement as against a bona fide party thereto acting in good faith. For these purposes, a Director, Supervisor or general manager or other officer is deemed to be interested in a contract, transaction or arrangement in which a person connected to him is interested.
- (iii) Where a director, supervisor, general manager or other officer of the Company gives the board of directors a general notice in writing stating that, by reason of the facts stated in the notice, he is interested in contracts, transactions or arrangements of any description which may subsequently be entered into by the Company, then he shall be deemed to have made a disclosure for the purposes of the relevant provisions in the Articles of Association so far as the content stated in such notice is concerned, if such notice shall have been given before the date on which the question of entering into the relevant contract, transaction or arrangement is first taken into consideration by the Company.

(g) **Remuneration**

The Company shall, with the prior approval of shareholders in general meeting, enter into a contract in writing with each Director or Supervisor for emoluments in respect of their services. The Directors or Supervisor have no power under the Articles of Association to determine the remuneration for themselves. The said emoluments include:

- (i) emoluments in respect of their services as Director, Supervisor or officer of the Company;
- (ii) emoluments in respect of their services as Director, Supervisor or officer of any subsidiary of the Company;
- (iii) emoluments otherwise in connection with services for the management of the Company or any subsidiary thereof; and
- (iv) payments by way of compensation for loss of office, or in connection with their retirement from office.

Except under a contract entered into in relation to the above, no proceedings shall be brought by a Director or Supervisor against the Company for anything due to him in respect of the matters specified above.

(h) Retirement, appointment and removal

The following persons may not serve as a Director, Supervisor, general manager or officer of the Company:

- (i) an individual who has no civil capacity or has restricted civil capacity;
- (ii) persons who have committed the offences of corruption, bribery, trespass of property, misappropriation of property or damaging the social economic order, and have been penalised due to the above offences, where less than five years have elapsed since the date of the completion of implementation of the penalty or persons who have committed crimes and have been deprived of their political rights due to such crimes, where less than five years have elapsed since the date of the completion of the implementation of such deprivation;
- (iii) persons who were former directors, factory chiefs or managers of a company or enterprise which has become insolvent and has been liquidated as a result of mismanagement and were personally liable for the insolvency of such company or enterprise, where less than three years have elapsed since the date of the completion of the insolvency and liquidation of such company or enterprise;
- (iv) persons who were legal representatives of a company or enterprise which had its business licence revoked due to a violation of the law and who were personally liable, where less than three years have elapsed since the date of the revocation of such business licence;
- (v) persons who have failed to pay a relatively large debt when due and outstanding;
- (vi) persons who have committed criminal offences and are still under investigation by law administration authorities;
- (vii) persons who, according to the laws and administrative regulations, are not allowed to act as leaders of enterprises;
- (viii) persons who is not a natural person; and
- (ix) persons who have been convicted of offences of violating provisions of the relevant securities laws and regulations or offences of fraud or acting in bad faith, where less than 5 years have lapsed since the date of conviction.

There is no specified age limit for Directors, general manager or officers either for accession to or retirement from the Board. The validity of the conduct of Directors, general manager or officers who have acted on behalf of the Company with respect to third parties who have acted in good faith shall not be affected due to any irregularity in the employment, election or qualification of such Directors, general manager, deputy general managers or officers.

The board of Directors shall consist of 5-9 Directors. The Directors shall be elected at shareholders' general meetings. A Director is not required to hold any shares in the Company.

The chairman and vice-chairman(s) of the board of Directors shall be elected or removed by more than one half of all of the Directors. A Director (including a managing or other executive director, but without prejudice to any claim for damages under any contract) may be removed by special resolution at a Shareholders' general meeting.

The term of office of the chairman, vice-chairman(s) and other Directors shall be 3 years commencing from the date of appointment, renewable upon reappointment or re-election.

(i) Borrowing powers

On condition of compliance with the laws and administrative regulations of the State, the Company is entitled to raise capital and borrow money, including (without limitation) the issue of bonds, the mortgaging or pledging of part or whole of the Company's business or properties and other rights permitted by the laws and administrative regulations of the State.

The Articles of Association do not contain any special provision in respect of the manner in which borrowing powers may be exercised by the Directors nor do they contain any special provision in respect of the manner in which such power may be raised, other than; (a) provisions which give the Directors the power to formulate proposals for the issuance of debentures by the Company; and (b) provisions which provide that the issuance of debentures must be approved by the Shareholders of the Company in a general meeting by way of a special resolution.

(j) Liabilities

The Directors, Supervisors, general manager and officers of the Company owe fiduciary duties and duties of diligence to the Company. In addition to any rights and remedies provided for in relevant laws and administrative regulations, the Company is entitled to adopt the following measures where a Director, Supervisor, general manager, deputy manager or officer is in breach of his duties owed to the Company:

- (i) to claim against such a Director, Supervisor, general manager or officer for losses incurred as a result of his breach;
- (ii) to rescind any contract or transaction entered into between the Company and the Director, Supervisor, general manager or officer and a third party where such third party has knowledge or should have had knowledge of the breach of duty;
- (iii) to demand an account of the profits made by the Director, Supervisor, general manager or officer as a result of his breach;
- (iv) to recover any monies received by the Director, Supervisor, general manager or officer which should have been received by the Company, including, without limitation, commissions; and

- (v) to demand the return of the interest earned or which may have been earned on any monies referred to in (iv) above by the Director, Supervisor, general manager or officer which should have been received by the Company.

The board of directors shall carry out its duties in compliance with the laws and administrative regulations, the Articles of Association and resolutions of the shareholders' general meetings. Each Director, Supervisor, general manager and officer of the Company should abide by his fiduciary principles in the discharge of his duties, and not to place himself in a position where his duty and his own interests may conflict. Such principles include (but are not limited to) the performance of the following:

- (i) to act honestly in what he considers to be in the best interest of the Company;
- (ii) to exercise his powers within the scope specified and not to act ultra vires;
- (iii) to exercise the discretion vested in him personally and not allow himself to act under the direction of another and, unless and to the extent permitted by law or the informed consent of shareholders in general meeting, not to delegate the exercise of his discretion;
- (iv) to treat shareholders of the same class equally and to treat shareholders of different classes fairly;
- (v) except in accordance with the Articles of Association or with the informed consent of shareholders in general meeting, not to enter into any contract, transaction or arrangement with the Company;
- (vi) not without the informed consent of shareholders in general meeting, to use the Company's assets for his own benefit;
- (vii) not to use his position to accept bribes or other illegal income and not to expropriate in any manner the Company's assets, including (without limitation) opportunities beneficial to the Company;
- (viii) not, without the informed consent of shareholders in general meeting, to accept commissions in connection with the Company's transactions;
- (ix) to abide by the Articles of Association, faithfully perform his duties and protect the interests of the Company, and not to use his position and powers in the Company to seek personal gain;
- (x) not to compete with the Company in any way except with the informed consent of shareholders given in general meeting;

- (xi) not to misappropriate the Company's funds or lend such funds to any other person, not to open any bank account in his own name or other name for the deposit of the Company's assets and not to provide security for debt of a shareholder of the Company or any other individuals with the Company's assets; and
- (xii) without the informed consent of shareholders in general meeting, not to disclose confidential information of the Company acquired while in office and not to use such information other than in furtherance of the interests of the Company, save and except that disclosure of information to a court or a governmental authority is permitted where (i) the disclosure is made under compulsion of law; (ii) there is a duty to the public to disclose; or (iii) the personal interests of the Director, Supervisor, general manager, deputy general manager or officer require disclosure.

A Director, Supervisor, general manager or an officer of the Company shall not direct persons connected to him to do what he is not permitted to do. A person is connected to a Director, Supervisor, general manager or an officer if he is:

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

The fiduciary duties of a director, supervisor, general manager and other senior officer of the Company do not necessarily cease with the termination of his tenure. The duty of confidentiality in relation to trade secrets of the Company survives the termination of his term of office. Other duties may continue for such period as fairness may require depending on the time lapse between the termination of his term of office and the occurrence of the matter in question and the circumstances and the terms under which the relationships between him and the Company are terminated.

Except in circumstances referred to in the Articles of Association, liabilities of a Director, Supervisor, general manager or other officer arising from the violation of a specified duty may be released by informed shareholders in general meeting.

In addition to obligations imposed by relevant laws, administrative regulations or the listing rules of the securities exchange on which the Company's shares are listed, Directors, Supervisors, general manager and officers in the exercise of their powers and the discharge of their duties shall owe the following obligations to the shareholders:

- (i) not to cause the Company to go beyond the business scope specified by its business licence;
- (ii) to act honestly in what they consider to be the best interest of the Company;
- (iii) not to deprive in any way the Company of its assets, including (but not limited to) opportunities beneficial to the Company; and
- (iv) not to deprive shareholders of their personal rights and interests, including (but not limited to) rights to distributions and to vote, except in a Company reorganisation submitted in accordance with the provisions of the Articles of Association and adopted at a shareholders' general meetings.

Each of the Company's directors, supervisors, general manager and other officers owes a duty, in the exercise of his powers and discharge of his duties, to exercise the care, diligence and skill that a reasonably prudent person would exercise under the similar circumstances.

(2) ALTERATIONS TO CONSTITUTIONAL DOCUMENTS

The Company may, in accordance with provisions contained in relevant laws, administrative regulations and the Articles of Association, amend its Articles of Association.

The amendments to the Articles of Association involving the contents of the Mandatory Provisions shall become effective upon approvals by the company approval authorities of the State Council and the securities regulatory authority of the State Council. If there is any change relating to the registered particulars of the Company, application shall be made for registration of the changes in accordance with law.

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

The Company may not vary or abrogate rights attached to any class of shares (“Class Rights”) unless approved by a special resolution of shareholders in general meeting and by holders of shares of that class at a separate meeting conducted in accordance with the provisions of the Articles of Association. The following circumstances shall be deemed to be a variation or abrogation of the Class Rights of a class:

- (i) to increase or decrease the number of shares of such class, or increase or decrease the number of shares of a class having voting or distribution rights or other privileges equal or superior to the shares of such class;
- (ii) to effect an exchange of all or part of the shares of such class into those of another class or to affect an exchange or create a right of exchange of all or part of the shares of another class into the shares of such class;
- (iii) to remove or reduce rights to accrued dividends or rights to cumulative dividends of such class;
- (iv) to reduce or remove a dividend preference or a liquidation preference attached to shares of such class;
- (v) to add, remove or reduce conversion, options, voting, transfer or re-emptive rights or rights to acquire securities of the Company of such class;
- (vi) to remove or reduce rights to receive payments from the Company in any particular currency;
- (vii) to create a new class of shares having voting or distribution rights or privileges equal or superior to the shares of such class;
- (viii) to restrict the transfer of ownership of the shares of such class or to increase any such restrictions;
- (ix) to allot and issue rights to subscribe for, or convert into, shares in the Company of such class or another class;
- (x) to increase the rights or privileges of another class;
- (xi) to restructure the Company where the proposed restructuring will result in different classes of shareholders bearing a disproportionate burden of such proposed restructuring; and
- (xii) to vary or abrogate the provisions in the Articles of Association.

Shareholders of the affected class, whether or not having the right to vote at general meetings, shall nevertheless have the right to vote at class meetings in respect of matters concerning paragraphs (ii) to (viii), (xi) and (xii) above, but Interested Shareholder(s) (as defined below) shall not be entitled to vote at class meetings.

Resolutions of a class of shareholders shall require the approval of shareholders present representing more than two thirds of the voting rights of that class voting in favour of such resolutions.

Written notice of a class meeting shall be given by the Company 45 days prior to the date of the meeting to notify all the registered shareholders holding shares of that class of the matters to be considered at the meeting and the date and place of the meeting. A shareholder who intends to attend the meeting shall deliver a written reply confirming his attendance at the class meeting to the Company 20 days prior to the date of the meeting.

The Company can convene a class shareholders' meeting, if the number of shares of the class carrying voting rights represented by shareholders intending to attend represents more than one half of the total number of such shares of the Company. If not, the Company shall make an announcement, within five days, once again notifying the shareholders of the matters proposed to be considered and the date and place of the meeting. Once an announcement has been so made, the Company may convene the class shareholders' meeting.

Notice of class meetings need only be served on shareholders entitled to vote thereat.

Meetings of any class of shareholders shall be conducted in a similar way as closely as possible to the provisions for general meetings of shareholders set out in the Articles of Association. The Provisions of the Articles of Association relating to the conduct of any meeting of shareholders shall apply to any class meeting.

In addition to holders of other class shares, holders of Domestic-Invested Shares and Overseas-Listed Foreign-Invested Shares are deemed to be shareholders of different classes.

Special procedures for voting by holders of different classes of shares do not apply to the following situations:

1. where the Company issues, upon the approval by special resolution of its shareholders in general meeting, either separately or concurrently once every twelve months, not more than 20% of each of its existing issued Domestic-Invested Shares or Overseas-Listed Foreign-Invested Shares; or
2. where the Company's plan (made at the time of its establishment) to issue Domestic-Invested Shares and Overseas-Listed Foreign-Invested Shares is completed within 15 months from the date on which approval is given by the securities regulatory authorities of the State Council.

For the purposes of the class rights provisions of the Articles of Association, an “Interested Shareholder” is:

- (i) in the case of a repurchase of shares by offers to all shareholders or public dealing on a stock exchange under Article 26 of the Articles of Association, a controlling shareholder within the meaning of Article 52 of the Articles of Association;
- (ii) in the case of a repurchase of shares by an off-market contract under the Articles of Association, a shareholder to whom the proposed contract is related;
- (iii) in the case of a restructure of the Company, a shareholder within a class who bears less than a proportionate amount of obligations imposed on the shareholders of that class or who has an interest different from the interest of the other shareholders of that class.

(4) SPECIAL RESOLUTIONS — MAJORITY REQUIRED

Resolutions of general meetings are divided into ordinary resolutions and special resolutions.

To adopt an ordinary resolution, more than the one half votes represented by shareholders (including proxies) present at the meeting must be exercised in favour of the resolution.

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

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

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

- (i) by the chairman of the meeting;
- (ii) by at least two shareholders present in person or by proxy and having the right to vote; or
- (iii) by one or more shareholders present in person or by proxy and representing one tenth or more of all shares carrying the right to vote at the meeting.

Unless a poll is so demanded, a declaration by the chairman whether a resolution has on a show of hands been passed or not and an entry to that effect in the book containing the minutes of the meeting shall be conclusive evidence of that fact without proof of the number or proportion of the votes recorded in favour of or against such resolution. A demand for a poll may be withdrawn by the person who demanded it.

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

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

In the case of an equality of votes, whether on a show of hands or on a poll, the chairman of the meeting at which the show of hands takes place or at which the poll is demanded shall be entitled to one additional vote.

(6) REQUIREMENTS FOR ANNUAL GENERAL MEETINGS

A shareholders' general meeting shall either be an annual general meeting or an extraordinary general meeting. Shareholders' general meetings shall be convened by the board of Directors. Annual general meetings are held once every year within six months after the financial year end.

(7) ACCOUNTS AND AUDIT

(a) Financial and accounting system

The Company shall establish its financial and accounting systems and internal audit system in accordance with the laws, administrative regulations and PRC accounting standards formulated by the finance regulatory authority of the State Council.

The board of directors of the Company shall place before the shareholders at every annual general meeting such financial reports as are required by the laws, administrative regulations or directives promulgated by competent local governments and supervisory authorities to be prepared by the Company.

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

The financial reports of the Company shall be made available at the Company for inspection by shareholders 20 days before the annual general meeting. Every shareholder of the Company is entitled to a copy of the financial reports. A copy of the above financial report shall, at least 21 days before the date of the general meeting, be delivered or sent by pre-paid post to the registered address of every holders of Overseas-Listed Foreign-Invested Shares.

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

The Company shall disclose its financial reports two times in each financial year, that is, its interim financial reports within 60 days of the end of the first six months of a financial year and its annual financial reports within 120 days of its financial year end.

The Company shall not keep any other books of accounts other than those provided by law.

(b) Appointment and removal of Accountants Firm

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

The first accountants firm of the Company may be appointed by the inaugural meeting prior to the first annual general meeting and the accountants firm so appointed shall hold office until the conclusion of the first annual general meeting.

If the inaugural meeting fails to exercise its powers as stipulated in the preceding paragraph those powers shall be exercised by the board of directors.

The accountants firm appointed by the Company shall hold office from the conclusion of the annual general meeting of shareholder until the conclusion of the next annual general meeting of shareholders.

If there is a vacancy in the office of accountants firm, the board of directors may before the convening of the shareholders' general meeting appoint a firm of accountants to fill the vacancy, provided that if there is another firm of accountants acting for the Company during the vacancy, that firm of accountants may continue to act.

The shareholders in general meeting may by ordinary resolution remove an accountants firm before the expiry of its term of office, notwithstanding the stipulations in the contract between the Company and the firm, but without prejudice to the firm's right to claim, if any, for damages in respect of such removal.

The remuneration of an accountants firm or the manner in which such remuneration is determined shall be decided by the shareholders in general meeting. The remuneration of an accountants firm appointed by the board of directors shall be determined by the board of directors.

The Company's appointment of, removal of and non-reappointment of an accountants firm shall be resolved upon by the shareholders in general meeting. The resolution of shareholders' general meeting shall be filed with the securities regulatory authorities of the State Council.

Prior to the removal or the non-renewal of the appointment of the accountants firm, notice of such removal or non-renewal shall be given to the accountants firm and such firm shall have the right to make representation to the shareholders' general meeting. Where the accountants firm resigns its post, it shall make clear to the shareholders' general meeting whether there is any impropriety on the part of the Company.

(c) Rights of the accountants firm

The accountants firm appointed by the Company shall have the following rights:

- (i) to inspect at any times the books, records and vouchers of the Company, and to require the directors, general manager and other senior officers of the Company to provide any relevant information and explanation;
- (ii) to require the Company to take all reasonable steps to obtain from its subsidiaries such information and explanation as are necessary to enable it to discharge its duties;
- (iii) to attend shareholders' general meetings and to receive all notices of, and other communications relating to, such meetings as which a shareholder of the Company is entitled to receive, and to speak at any shareholders' general meeting on any matter concerning its role as the accountants of the Company.

(8) NOTICE OF MEETING AND BUSINESS TO BE CONDUCTED THEREAT

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

The Company shall not enter into any contract with any person other than a Director, supervisor, general manager or a member of the senior management whereby such person is entrusted with the management of the whole or a material part of any business of the Company without the prior approval of shareholders in general meeting.

Shareholders' general meetings are divided into annual general meetings and extraordinary general meetings. Under any of the following circumstances, the board of Directors shall convene an extraordinary general meeting within two months of the occurrence of any one of the following events:

- (i) when the number of Directors is less than the number provided for in the PRC Company Law or less than two thirds of the number prescribed in the Articles of Association;
- (ii) when the unaccounted losses of the Company amount to one third of its issued share capital;
- (iii) when shareholders holding 10% or more of the Company's issued and outstanding shares carrying voting rights requests in writing the convening of an extraordinary general meeting; and

- (iv) when the board of directors considers necessary or upon the request of the supervisory committee.

To convene a general meeting, the Company shall give written notices 45 days before the date of the meeting, informing all registered shareholders of the matters proposed to be considered at the meeting and the date and place of the meeting. Shareholders who will attend the meeting shall return the written replies of attendance to the Company to be received by the Company 20 days before the date of the meeting.

When the Company is to convene an annual general meeting, shareholders holding 5 per cent. or more of shares carrying voting rights shall have the right to put forward new proposals in writing to the Company. The Company shall include in the agenda the matters which are within the scope of responsibilities of the general meeting.

The Company shall calculate, according to the written replies received 20 days before the date of the meeting, the number of shares carry voting rights that the shareholders attending the meeting represent. The Company can convene a shareholders' general meeting if the number of shares carrying voting rights represented by shareholders intending to attend attain more of the one half of total number of shares carrying voting rights. If not, the Company shall make an announcement, within 5 days, once again notifying the shareholders of the matters proposed to be considered and the date and place of the meeting. Once an announcement has been so made, the Company may convene the general meeting. An extraordinary general meeting may not decide on matters not specified in the notice.

A notice of meeting of shareholders shall:

- (i) be in writing;
- (ii) specify the place, the day and the time of the meeting;
- (iii) state the matters to be discussed at the meeting;
- (iv) provide such information and explanation as are necessary for the shareholders to exercise an informed judgement on the proposals before them. Without limiting the generality of the foregoing, where a proposal is made to amalgamate the Company with another company, to repurchase shares of the Company, to reorganise the share capital or to restructure the Company in any other way, the terms of the proposed transaction must be provided in detail together with copies of the proposed agreement, if any, and the reasons for and consequences of such proposal must be properly explained;
- (v) contain a disclosure of the nature and extent, if any, of material interests of any Director, Supervisor, general manager or officer in the transaction proposed and the effect of the proposed transaction on them in their capacity as shareholders in so far as it is different from the effect on the interests of other shareholders of the same class;
- (vi) contain the text of any special resolution proposed to be passed at the meeting;

- (vii) contain conspicuously a statement that a shareholder entitled to attend and vote is entitled to appoint one or more proxies to attend and vote instead of him and that a proxy need not be a shareholder;
- (viii) contain the share registration date of the shareholders entitled to attend the Meeting; and
- (ix) specify the time and place for lodging proxy forms for the relevant meeting.

Notices of shareholders' general meetings shall be served on the shareholders (whether or not they are entitled to vote at the meeting) by personal delivery or prepaid mail to their addresses registered in the register of shareholders. For holders of Domestic-Invested Shares, notice of Shareholder's general meeting may be made by way of public announcement. Public announcement of notices of shareholders' general meetings shall be published in one or more newspapers designated by the securities regulatory authority of the State Council within the interval between 45 to 50 days prior to the date of the meeting. Upon the publication of announcement, all holders of Domestic-Invested Shares shall be deemed to have received notice of the relevant shareholders' meeting.

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

Shareholders requisitioning an extraordinary general meeting of shareholders or class meeting shall abide by the following procedures:

- (i) Two or more shareholders holding in aggregate 10% or more of the shares carrying the right to vote at the meeting sought to be held shall sign a written requisition in one or more counterparts in the same form and contents, requiring the board of directors to convene a shareholders' extraordinary general meeting or a class meeting thereof and stating the matters to be considered at the meeting. The board of directors shall as soon as possible after receipt of the requisition proceed to convene a shareholders' extraordinary general meeting or a class meeting thereof.

The amount of shareholdings of the requisitioning shareholders referred to in the preceding paragraph shall be calculated as at the date of the deposit of the requisition.

- (ii) If the board of directors fails to issue a notice of such a meeting within 30 days from the date of receipt of the requisition, the requisitioning shareholders may themselves convene such a meeting within 4 months of the receipt of the requisition by the board of directors. In so convening a meeting, the requisitioning shareholders should adopt a procedure as similar as possible as that of shareholders' general meetings to be convened by the board of directors.

The matters which require the sanction of an ordinary resolution at a shareholders' general meeting shall include:

- (i) the approval of work reports of the board of Directors and the supervisory committee;

- (ii) the approval of plans formulated by the board of Directors for the distribution of profits and for making up losses;
- (iii) the removal of the members of the board of Directors and members of the supervisory committee, their remuneration and method of payment;
- (iv) the approval of the Company's budget and final accounts, balance sheets and profit and loss accounts and other financial reports; and
- (v) save as required by the laws and regulations of the PRC or by the Articles of Association, all other matters other than those required to be adopted by special resolution.

The matters which require the sanction of a special resolution at a shareholders' general meeting include:

- (i) the increase or reduction of share capital and the issue of shares of any class or warrants and other similar securities;
- (ii) the issue of debentures of the Company;
- (iii) the demerger, merger, termination and liquidation of the Company;
- (iv) amendments to the Articles of Association; and
- (v) any other matters considered by the shareholders' general meeting, resolved by way of an ordinary resolution, to be of a nature which may have a material impact on the Company and should be adopted by a special resolution.

(9) TRANSFER OF SHARES

Unless otherwise provided in any laws or regulations or the Articles of Association, shares in the capital of the Company shall be freely transferable and shall not be subject to any lien.

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

The Company may, with the approval in accordance with the procedures provided in the Articles of Association and subject to the approval of the relevant governing authorities of the State, repurchase its issued shares in the following circumstances:

- (i) cancellation of its shares for the purpose of reducing its share capital;
- (ii) merging with another company which holds shares in the Company;
- (iii) other circumstances permitted by laws and administrative regulations.

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

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

The Company may, with the prior sanction of shareholders obtained in accordance with the Articles of Association, repurchase its shares by an off-market contract but the Company may rescind or vary such contract or waive any or part of its rights under a contract so entered into by the Company with the prior approval of shareholders obtained in the same manner. A contract to repurchase shares as mentioned above includes but is not limited to an agreement to become obliged to repurchase or acquire rights to repurchase shares of the Company.

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

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

- (i) where the Company repurchases its shares at par value, payment shall be made out of the book surplus distributable profits of the Company and/or out of the proceeds from any issue of new shares made for the purpose of the repurchase;
- (ii) where the Company repurchases its shares at a premium to the par value, payment up to their par value may be made out of the book surplus distributable profits of the Company and/or the proceeds from any issue of new shares made for the purpose of the repurchase. Payment of the portion in excess of the par value shall be effected as follows:
 - (aa) if the shares being repurchased were issued at par value, payment shall be made out of the book surplus distributable profits of the Company;
 - (bb) if the shares being repurchased were issued at a premium to the par value, payment shall be made out of the book surplus distributable profits of the Company and/or the proceeds from any issue of new shares made for the purpose of the repurchase, provided that the amount paid out of such proceeds shall neither exceed the aggregate of the premiums received by the Company on the issue of the shares repurchased nor the current amount of the capital reserve fund account of the Company (including the premiums on the new issues) at the time of the repurchase;
- (iii) payment by the Company for the following purposes shall be made out of the Company's distributable profits:
 - (aa) acquisition of rights to repurchase shares in the Company;

(bb) variation of any contract to repurchase shares in the Company;

(cc) release of any of the Company's obligations under a contract to repurchase shares in the Company;

(iv) After the Company's registered capital has been reduced by the aggregate par value of the cancelled shares in accordance with the relevant regulations, the amount deducted from the distributable profits for paying up the par value portion of the repurchased shares shall be transferred to the Company's capital reserve fund account.

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

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

(12) DIVIDENDS AND OTHER METHODS OF DISTRIBUTION

The Company may distribute dividends by way of cash or bonus shares. All dividends or bonuses unclaimed after the expiration of the applicable limitation period may be forfeited.

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

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

(13) PROXIES

Any shareholder entitled to attend and vote at a shareholders' general meeting shall be entitled to appoint one or more persons (whether or not a shareholder) as his proxy to attend and vote on his behalf. A proxy so appointed shall be entitled to exercise the following rights in accordance with the authorisation from that shareholder:

(i) the shareholder's right to speak at the meeting;

(ii) the right to demand, whether on his own or together with others, a poll;

(iii) the right to vote by hand or on a poll, but a proxy of a shareholder who has appointed more than one proxy may only vote on a poll.

The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing, or if the appointor is a legal person either under seal or under the hand of a director or attorney duly authorised. The instrument appointing a voting proxy shall be deposited at the Company's domicile or at such other place as is specified in the notice convening the meeting not less than 24 hours prior to the time for holding the meeting at which the proxy propose to vote or the time specified for the passing of the resolution. If such instrument is signed by another person under a power of attorney or other authorisation documents given by the appointer, such power of attorney or other authorisation documents shall be notarised. The notarised power of attorney or other authorisation documents shall, together with the instrument appointing the voting proxy, be deposited at the Company's domicile or at such other place as is specified in the notice convening the meeting.

If the appointer is a legal person, its legal representative or any person authorised by resolutions of its board of directors or other governing body shall attend the shareholders' meeting as the appointer's representative.

Any form issued to a shareholder by the board of directors for the purpose of appointing a proxy shall be such as to enable the shareholder, according to his free will, to instruct his proxy to vote in favour of or against the motions proposed and in respect of each individual matters to be voted on at the meeting. Such a form shall contain a statement that in the absence of instructions from the appointer, the proxy may vote as he thinks fit.

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

(14) CALLS ON SHARES AND FORFEITURE OF SHARES

There are no provisions in the Articles of Association relating to the making of calls on shares or for the forfeiture of shares.

(15) INSPECTION OF REGISTER OF SHAREHOLDERS AND OTHER RIGHTS OF SHAREHOLDERS

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

- (i) the name (title), address (residence) and occupation or nature of each shareholder;
- (ii) the class and number of shares held by each shareholder;
- (iii) the amount paid up or payable on the shares held by each shareholder;

- (iv) the share certificate numbers of the shares held by each shareholder;
- (v) the date on which each person was entered in the register as a shareholder;
- (vi) the date on which any shareholder ceases to be a shareholder.

Unless there is evidence to the contrary, the register of shareholders is sufficient evidence of shareholdings in the Company.

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

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

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

The Company shall keep a complete register of shareholders.

The register of shareholders shall comprise of the following parts:

- (i) register(s) of shareholders other than those specified in items (ii) and (iii) below kept at the domicile of the Company;
- (ii) register(s) of holders of the Company's overseas-listed foreign-investment shares kept in Hong Kong;
- (iii) register(s) of shareholders kept at other places as the board of directors thinks necessary for the purpose of listing.

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

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

No changes which are required by reason of a transfer of shares may be made to the register of shareholders within 30 days prior to the date of a shareholders' general meeting or 5 days prior to the record date for the Company's distribution of dividends.

When the Company decides to convene a shareholders' general meeting, distribute dividends, liquidate or carry out other activities which require the determination of shareholdings, the board of directors shall fix a record date for the purpose of determining the shareholding. A person who is registered in the register as shareholders of the Company at the end of the record date shall be a shareholder of the Company.

Any person who objects to what is contained in the register of shareholders and wishes to register his name on, or delete his name from, the register may apply to the court which jurisdiction to amend the register.

The right of the shareholders to information includes, but without limitation, the following:

- (i) the right to a copy of the Articles of Association after payment of costs;
- (ii) the right to inspect and copy at reasonable charges;
 - (aa) all parts of the register of shareholders;
 - (bb) particulars of Directors, Supervisors, general manager and officers as follows:
 - (aaa) his present name and any former names and any aliases;
 - (bbb) his principal residential address;
 - (ccc) his nationality;
 - (ddd) his primary and all other part time business occupations; and
 - (eee) his identification document and its number;
 - (cc) the state of the Company's share capital;
 - (dd) reports showing the number and par value of shares repurchased by the Company since the end of the last financial year, the aggregate amount paid by the Company for the shares repurchased and the maximum and minimum price in respect of each class of shares repurchase; and
 - (ee) minutes of shareholders' meetings.

(16) QUORUM FOR SHAREHOLDERS MEETINGS

The Company can convene a shareholders' meeting if the number of shares carrying voting rights represented by shareholders intending to attend attain one-half of the total number of shares carrying voting rights.

The Company can convene a class shareholders' meeting, if the number of shares of the class carrying voting rights represented by shareholders intending to attend attain one-half of the total number of such shares of the class.

(17) RIGHTS OF MINORITY SHAREHOLDERS IN RELATION TO FRAUD OR OPPRESSION

In addition to the obligations imposed by laws and administrative regulations or the listing rules of the stock exchange on which shares of the Company are listed, a controlling shareholder, when exercising his rights as a shareholder, shall not exercise his voting rights to make a decision which is prejudicial to the interests of the shareholders generally or of some of the shareholders of the Company in respect of the following matters:

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

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

- (i) he alone or acting in concert with others has the power to elect more than half of the directors;
- (ii) he alone or acting in concert with others has the power to exercise or to control the exercise of 30% or more of the voting rights in the Company;
- (iii) he alone or acting in concert with others holds 30% or more of the issued shares of the Company;
- (iv) he alone or acting in concert with others in any other manner controls the Company in fact.

(18) PROCEDURE ON LIQUIDATION

The Company shall be dissolved and liquidated in accordance with law upon occurrence of any of the following events:

- (i) expiration of business limitation period;
- (ii) a resolution for dissolution is passed by a shareholders' general meeting;
- (iii) dissolution is necessary due to a merger or division of the Company;
- (iv) the Company is legally declared insolvent due to its failure to repay debts due;
- (v) the Company is ordered to close down because of its violation of laws or administrative regulations.

A liquidation group shall be set up within 15 days of the Company being dissolved pursuant to the above (i) and (ii) and the composition of the liquidation group of the Company shall be determined by an ordinary resolution of shareholders in general meeting.

Where the Company is dissolved under the above (iv), the People's Court shall in accordance with provisions of relevant laws organise the shareholders, relevant organisations and relevant professional personnel to establish a liquidation group to carry out liquidation procedure.

Where the Company is dissolved under the above (v), the relevant governing authorities shall organise the shareholders, relevant organisations and professionals personnel to establish a liquidation group to carry out liquidation procedure.

Where the board of directors proposes to liquidate the Company due to causes other than where the Company has declared that it is insolvent, the board shall include a statement in its notice convening a shareholders' general meeting to consider the proposal to the effect that, after making full inquiry into the affairs of the Company, the board of directors is of the opinion that the Company will be able to pay all its debts in full within 12 months from the commencement of the liquidation.

Upon the passing of the resolution by the shareholders in general meeting for the liquidation of the Company, all functions and powers of the board of directors shall cease.

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

The liquidation group shall within 10 days of its establishment send a notice to creditors, and within 60 days of its establishment make a public announcement in a newspapers at least three times.

The liquidation group shall carry out registration of creditors' rights so reported.

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

- (i) to sort out the Company's assets and prepare a balance sheet and an inventory of assets respectively;
- (ii) to notify all creditors by notice or public announcements;
- (iii) to dispose of and liquidate any relevant unfinished business matters of the Company;
- (iv) to pay all outstanding taxes;
- (v) to settle claims and debts;
- (vi) to deal with assets remaining after the Company's debts having been paid in full;
- (vii) to represent the Company in any civil proceedings.

The liquidation committee shall thoroughly examine the assets of the Company, and prepare an assets list. Upon completion, the liquidation committee shall draw up a proposal for liquidation and submit the same to the shareholders' meeting and the relevant authority in charge for confirmation.

If the company is liquidated by reason of dissolution and the liquidation committee, having thoroughly examined the Company's assets and having prepared a balance sheet and assets list, discovers that the Company's assets are insufficient to pay its debts in full, it shall immediately apply to the People's Court for a declaration of insolvency.

After the People's Court has declared the Company insolvent, the company's liquidation committee shall turn over any matters regarding the liquidation to the People's Court.

Following the completion of liquidation, the liquidation group shall present a report on liquidation and prepare a statement of the receipts and payments during the period of liquidation and financial books and records which shall be audited by the PRC certified public accountants and submitted to the shareholder's general meeting or the relevant governing authority for confirmation.

The liquidation group shall also within 30 days after such confirmation, submit the documents referred to in the preceding paragraph to the company registration authority and apply for cancellation of registration of the Company, and publish an announcement relating to the termination of the Company.

(19) OTHER PROVISIONS MATERIAL TO THE COMPANY OR ITS SHAREHOLDERS**(a) General provisions**

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

The major scope of operation of the Company, as set out in its business license and described in Article 10 of the Articles of Association:

The Company may invest in other companies with limited liability or joint stock limited companies and shall be liable to the companies in which it invests to the extent of its capital contribution.

After obtaining approval from the government department authorised by the State Council for the examination and approval of companies, the Company may, depending on the needs of its management and business, operate by acting as a holding company in accordance with sub-article 2 of Article 12 of the Company Law.

The Article of Association constitute a legal document regulating the relationship between the Company and each of its shareholders and among the shareholders interest, actionable by a shareholder against the Company and vice versa and by shareholders against each other in respect of rights and obligations concerning the affairs of the Company arising out of the Articles of Association. The shareholders may also bring actions against the Directors, Supervisors, managers and other officers of the Company. For the purposes of the Articles of Association, actions include court proceedings and arbitration proceedings.

(b) Shares and transfers

There must at all time be ordinary shares in the Company. The Company may, according to its needs and subject to obtaining approval by the company approval authorities authorised by the State Council, create other classes of shares.

Shares issued by the Company to domestic investors for subscription in Renminbi are referred to as “Domestic-Invested Shares”. Shares issued by the Company to foreign investors for subscription in foreign currencies are referred to as “Foreign-Invested Shares”. Foreign-Invested Shares which are listed overseas are called herein “Overseas-Listed Foreign-Invested Shares”.

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

The Company may increase its capital in the following ways:

- (i) offering new shares to non-specially-designated investors for subscription;
- (ii) placing new shares to its existing shareholders;
- (iii) allotting bonus shares to its existing shareholders;
- (iv) any other ways permitted by laws and administrative regulations.

The Company's increase of capital by issuing new shares shall, after being approved in accordance with the provisions of the Articles of Association, be conducted in accordance with the procedures stipulated by the relevant laws and administrative regulations of the State.

The Company may reduce its registered capital in accordance with the provisions of the Articles of Association.

When the Company reduces its registered capital, it shall prepare a balance sheet and an inventory of assets.

The Company shall notify its creditors within 10 days of the date of the resolution for reduction of its registered capital, and shall make a public announcement in a newspaper at least 3 times within 30 days following the date of such resolution. A creditors has the right, within 30 days of receiving the notice or, in the case of such notice not being received, within 90 days of the date of the first public announcement, to require the Company to repay its debts or to provide a corresponding guarantee for such debts.

The Company's registered capital after reduction shall not be less than the statutory minimum amount.

(c) **Shareholders**

A shareholder of the Company is a person who lawfully holds shares and has his name recorded on the register of shareholders. A shareholder enjoys rights, and is subject to obligations, according to the class and number of shares he holds. Holders of the same class of shares enjoy the same rights and subject to the same obligations.

The register of shareholders shall be sufficient evidence, unless the contrary is shown, of shareholdings in the Company.

Unless specified otherwise in the Articles of Association, the holders of Domestic-Invested Shares and Foreign-Invested Shares are ordinary shareholders with the same rights and subject to the same obligations. The ordinary shareholders of the Company shall enjoy the following rights:

- (i) the right to dividends and other distributions in proportion to the number of shares held by him;
- (ii) the right to attend or appoint a proxy to attend shareholders' general meetings and to vote thereat;
- (iii) the right to supervise the Company's business operations, and the right to present proposals and inquiries;
- (iv) the right to transfer give or pledge shares in accordance with the laws, administrative regulations and the Articles of Association;
- (v) the right to obtain relevant information in accordance with the provisions of the Articles of Association;
- (vi) in the event of the termination or liquidation of the Company, to participate in the distribution of surplus assets of the Company according to the number of shares held by him;
- (vii) other rights conferred by laws, administrative regulations and the Articles of Association.

The ordinary shareholders of the Company shall have the following obligations:

- (i) to abide by the Articles of Association;
- (ii) to pay subscription monies in accordance with the number of shares subscribed and the method of subscription;
- (iii) other obligations imposed by laws, administrative regulations and the Articles of Association.

A shareholder is not be liable to make any further contribution to the share capital other than the terms agreed.

Share certificates of the Company shall be in registered form.

Share certificates of the Company shall be signed by the Chairman of the Company's board of directors. Where the stock exchanges on which the Company's shares are listed require the share certificates to be signed by other senior officers of the Company, the share certificates shall

also be signed by such senior officers. The share certificates shall take effect after being affixed with the Company's seal or a machine-imprinted seal of the Company provided that such seal shall only be affixed with the authority of the Directors. The signatures of the Chairman of the board of directors or other senior officers of the Company on the share certificates may be printed in mechanical form.

Any person who is registered shareholder or who requests to have his name (title) entered into the register of shareholders may, if his share certificate (the "original certificate") in respect of shares in the Company is lost, apply to the Company for a replacement new share certificate in respect of such shares (the "Relevant Shares").

If a holder of Domestic-Invested Shares loses his share certificate and applies for a replacement new share certificate, it shall be dealt with in accordance with Article 150 of the Company Law.

If a shareholder of Overseas-listed Foreign-Invested Shares listed in Hong Kong loses his share certificate and applies for a replacement new share certificate, the issue of such certificate shall comply with the following requirements:

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

In the case of an application to issue a replacement new certificate being made without the consent of the registered holder of the Relevant Shares, the Company shall deliver by mail to such registered shareholder a copy of the announcement to be published.

- (v) if, by the expiration of the 90-day period referred to in above (iii) and (iv), the Company shall not have received from any person notice of any disagreement to such application, the Company may issue a replacement new share certificate to the applicant accordingly.
- (vi) where the Company issues a replacement new share certificate under the Articles of Association, it shall forthwith cancel the original share certificate and enter the cancellation and replacement issue in the register of shareholders accordingly.
- (vii) all expenses relating to the cancellation of an original share certificate and the issue of a replacement new share certificate by the Company shall be borne by the applicant. The Company may refuse to take any action until reasonable security is provided by the applicant for such expenses.

(d) **The Board of Directors**

The board of Directors shall be accountable to the general meeting of the shareholders, and shall exercise the following functions and powers:

- (i) to convene general meetings and report on its work to the shareholders;
- (ii) to implement the resolutions of general meetings;
- (iii) to decide on the Company's business plans and investment plans;
- (iv) to formulate the Company's proposed annual financial budget and final accounts;
- (v) to formulate the Company's profit distribution plan and plan for making up for losses;
- (vi) to formulate proposals for the increase or reduction of the Company's registered capital, the issue of corporate bonds or other securities and listing proposal;
- (vii) to prepare plans for the purchase or repurchase of the Company's shares or merger, demerger or dissolution of the Company;
- (viii) to decide on the establishment of the Company's internal management structure;
- (ix) to appoint or dismiss the Company's general manager, secretary of Board of Directors and pursuant to the general manager's nominations to appoint or dismiss the deputy general manager, financial officers, general engineer and other officers of the Company and to decide on their remuneration and benefits;
- (x) to formulate the Company's basic management system;
- (xi) to formulate plans for the amendment of the Company's Articles of Association;

- (xii) to manage the matters in relation to disclosure of the Company's information;
- (xiii) to propose at general meeting for appointment and removal of accountants firm;
- (xiv) to listen to the management reports from general manager and check the work of general manager;
- (xv) to exercise other functions and powers conferred at general meetings and by the laws, regulations and the Articles of Association.

Resolutions relating to the above, with the exception of items (vi), (vii) and (xi) above which shall require the consent of more than two thirds of the Directors, shall require the consent of more than half of the Directors.

Meetings of the board of directors shall be held at least twice in every year and shall be convened by the Chairman of the board of directors. A quorum will be formed by more than half of the Directors attending in person.

If a Director is unable to attend a board meeting, he may appoint another Director by a written power of attorney to attend on his behalf. Such a power of attorney shall specify the scope of authorisation.

Directors attending board meetings shall exercise their powers as directors within their scope of authorisation. If a Director fails to attend a board meeting and does not appoint an attorney to attend, the Director is deemed to have relinquished his rights to vote at that meeting.

Each director shall have one vote. Unless specified otherwise in the Articles of Association, resolutions of the board of directors must be passed by more than half of all the directors. Where the number of votes cast for and against a resolution are equal, the Chairman shall have the right to cast an additional vote.

(e) Secretary of the Board of Directors

The Company shall have 1 to 2 secretaries of the board of directors who shall be a senior officer of the Company.

The secretary of the board of directors shall be a natural person who has the requisite professional knowledge and experience, and shall be appointed by the board of directors. His primary responsibilities are:

- (i) to ensure that the Company has complete organisational documents and records;
- (ii) to ensure that the Company prepares and submits all reports and documents required by the competent authorities entitled thereto in accordance with law;

- (iii) to ensure that the Company's registers of shareholders are properly maintained, and that persons entitled to the Company's records and documents are furnished with such records and documents without delay;
- (iv) to be responsible for disclosure of the Company's information and ensure that such disclosure is timely, accurate, legal, true and complete;
- (v) to be responsible for other duties required by the rules of the stock exchange where the shares of the Company is listed.

A director or other senior officer of the Company may hold the office of the secretary of the board of directors concurrently. The accountant(s) of the certified public accountants appointed by the Company shall not act as the secretary of the board of directors.

Provided that where the office of the secretary of the board of directors is held concurrently by a director, and an act is required to be done by a director and the secretary separately, the person who holds the office of director and secretary may not perform the act in dual capacity.

(f) **Supervisory Committee**

The Company shall have a supervisory committee.

The supervisory committee shall be composed of 3 members, one of whom shall be the chairman of the supervisory committee.

The term of office of supervisors shall be 3 years, renewable upon re-election.

The members of the supervisory committee shall comprise of 2 representatives of shareholders who shall be elected and removed by the shareholders' general meeting and 1 representative of the employees of the Company who shall be elected and removed by the employees of the Company democratically.

The directors, managers and financial officer of the Company shall not act concurrently as supervisors.

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

- (i) to examine the Company's financial situation;
- (ii) to supervise the directors, general manager, deputy general manager and other senior officers to see whether they act in contravention of the laws, administrative regulations and the Articles of Association in the performance of their duties;

- (iii) to demand rectification from a director, general manager, deputy general manager or other senior officer when acts of such persons are detrimental to the interests of the Company;
- (iv) to check the financial information such as the financial report, business report and plans for profit distribution to be submitted by the board of directors to the shareholders' general meeting and, should any queries arise, to appoint, in the name of the Company, public certified accountants and practising auditors to assist in such check;
- (v) to propose to convene a shareholders' extraordinary general meetings;
- (vi) to represent the Company in negotiation with or bring an action a director;
- (vii) other functions and powers specified in the Articles of Association or authorized in general meetings.

Supervisors shall be present at meetings of the board of directors.

(g) General Manager

The Company shall have one general manager, who shall be appointed and dismissed by the board of directors. The Company shall have a certain number of deputy general managers, one financial controller and one general engineer, who will assist the general manager in his work. The deputy general managers, the financial controller and the general engineer shall be appointed and dismissed by the board of directors upon the nomination by the general manager.

The general manager shall be accountable to the board of directors and exercise the following functions and powers:

- (i) to be in charge of the Company's production, operation and management and to organise the implementation of the resolutions of the board of directors;
- (ii) to organise the implementation of the Company's annual business plan and investment plan;
- (iii) to draft plans for the establishment of the Company's internal management structure;
- (iv) to draft the Company's basic management system;
- (v) to formulate basic rules and regulations of the Company;
- (vi) to propose the appointment or dismissal of the Company's deputy general managers, the financial controller, general engineer and other officers;

- (vii) to appoint and dismiss management personnel other than those required to be appointed or dismissed by the board of directors;
- (viii) to propose the salaries, benefits and rewards of the employees and decide on the appointment and dismissal of the employees;
- (ix) to propose to convene extra-ordinary board meetings;
- (x) other functions and powers conferred by the Articles of Association and the board of directors.

(h) **Settlement of Disputes**

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

- (i) Whenever any disputes or claims arising between: holders of the Overseas-Listed Foreign-Invested Shares and the Company; holders of the Overseas-Listed Foreign-Invested Shares and the Company's directors, supervisors, general manager or other senior officers; or holders of the Overseas-Listed Foreign-Invested Shares and holders of Domestic-Invested Shares, based on the Articles of Association or any rights or obligations conferred or imposed by the Company Law or any other laws and administrative regulations concerning the affairs of the Company, such disputes or claims shall be referred by the relevant parties to arbitration.

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

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

- (ii) A claimant may elect arbitration at the China International Economic and Trade Arbitration Commission in accordance with its Rules. Once a claimant refers a dispute or claim to arbitration, the other party must submit to the arbitral body elected by the claimant.
- (iii) If any disputes or claims of rights are settled by way of arbitration in accordance with the above (i), the laws of China shall apply, save as otherwise provided in laws and administrative regulations.
- (iv) The award of an arbitration body shall be final and conclusive and binding on all parties.