

Summary of the Articles

Set out below is a summary of certain provisions of the Articles of the Company.

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The Company was incorporated in the PRC as a joint stock company with limited liability on September 20, 2010 under the Company Law of the PRC (the “Company Law”).

This appendix contains a summary of the principal provisions of the applicable articles upon the offering and listing of H Shares, which was adopted on April 24, 2014 and will become effective on the date that H Shares are listed on the Stock Exchange and approvals obtained from relevant national authorities. This appendix aims to provide potential investors with an overview of the Articles. The information contained below is only a summary which may not contain all the information that is important to potential investors. A copy of full Chinese text of the Articles is available for inspection as mentioned in the paragraphs headed “Documents Delivered to the Registrar of Companies” and “Documents Available for Inspection” in Appendix VII.

1. DIRECTORS AND BOARD OF DIRECTORS**(a) Power to Allot and Issue Shares**

There is no provision in the Articles empowering the Board to allot or issue Shares. In order to allot or issue Shares, the Board shall prepare a proposal for approval by Shareholders in a general meeting by way of special resolution. Any such allotment or issue shall be conducted in accordance with the procedures stipulated by relevant laws and administrative regulations.

(b) Power to Dispose of the Assets of the Company or any of its Subsidiaries

The Board may determine the external investments, acquisition and disposal of assets, pledge of assets, external guarantee, trust and wealth management and connected transaction according to the scope of authority delegated by the general meeting.

(c) Compensation or Payments for Loss of Office

Contract concerning remuneration between the Company and a Director or Supervisor, shall provide that in the event of a takeover of the Company, the Director or Supervisor shall, subject to the prior consent of the Shareholders in a general meeting, have the right to receive compensation for loss of office or payment for his retirement from office.

A takeover of the Company means either:

- (i) an offer made to all Shareholders of the Company; or
- (ii) an offer made by such person with a goal of becoming the Controlling Shareholder of the Company within the meaning of the Articles.

If the relevant Director or Supervisor does not comply with the above provisions, any sum so received by the Director or Supervisor shall belong to those persons who have sold their Shares as a result of the offer. The expenses incurred by the Director and Supervisor in distributing such sum on a pro rata basis among those persons shall be borne by the relevant Director or Supervisor and shall not be paid out of the sum to be received by him/her.

(d) Loans to Directors, Supervisors and Other Officers

The Company may not provide any loan or guarantee directly or indirectly to a Director, Supervisor, president, or other senior management of the Company or its parent company or the director, supervisor, president or other senior management of its holding company.

A loan made by the Company in breach of the above provisions shall be repayable forthwith 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 above provisions shall not be enforceable by the Company unless:

- (i) the lender was not aware that the loan was granted to a person related to a Director, Supervisor, president, or other senior management of the Company or its holding company when the loan was advanced; or
- (ii) the collateral provided by the Company has been lawfully disposed of by the lender to a bona fide purchaser.

The following transactions shall not be subject to the above provisions:

- (i) the Company provides loans or loan guarantees to its subsidiary;
- (ii) the Company provides loans, loan guarantees or other payment to a Director, Supervisor, president, or other senior management to settle expenditure incurred or to be incurred by him/her for the purposes of the Company or enabling him/her to perform his/her duties, in accordance with the terms of a contract of service approved by the general meeting; and
- (iii) the Company may provide a loan to, or provide a guarantee in connection with a loan by another person to, any of its Directors, Supervisors, president, the senior management or other related persons if the ordinary course of its business includes the provision of loans or guarantees, provided that the provision 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) Financial Assistance for the Acquisition of Shares in the Company or any of its Subsidiaries

Subject to the Articles:

- (i) neither the Company nor any of its subsidiaries shall at any time or by any means 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 by any means provide financial assistance to the person mentioned in the above paragraph for the purposes of reducing or discharging his liabilities.

The following transactions shall not be deemed to be prohibited:

- (i) the provision of financial assistance by the Company where the financial assistance is given in good faith in the interest of the Company, and the principal purpose in giving

financial assistance is not for the acquisition of Shares, or the giving of financial assistance is an incidental part of a major plan of the Company;

- (ii) the distribution of the assets of the Company through dividends;
- (iii) the allotment of bonus shares as dividends;
- (iv) a reduction of registered capital, a repurchase of Shares or a reorganization of the share capital structure of the Company effected in compliance with the Articles;
- (v) the provision of loans by the Company in the ordinary course of its business, provided that the net assets of the Company are not thereby reduced or that, to the extent that the net assets are thereby reduced, the financial assistance is provided out of distributable profit; and
- (vi) the contribution of the Company to employee's shareholding plan, provided that the net assets of the Company are not thereby reduced or that, to the extent that the net assets are thereby reduced, the financial assistance is provided out of distributable profit.

For these purposes,

- (i) "financial assistance" includes, but without limitation, the following:
 - (aa) a gift;
 - (bb) a guarantee (including any liability by the guarantor or the provision of assets by the guarantor to secure the performance of obligations by the obligator) or compensation, (other than compensation due to the default of the Company) or release or waiver of any rights;
 - (cc) provision of a loan, or entering into an agreement under which the obligations of the Company are to be fulfilled before the obligations of another party, or entering into an agreement for a change in the parties to, or the assignment of rights arising under, such a loan or agreement; or
 - (dd) any other form of financial assistance given by the Company when the Company is insolvent or has no net asset, or when its net assets would thereby be reduced by a material extent; and
- (ii) "incurring an obligation" includes the incurring of obligations by entering into an agreement, the making of arrangement (whether enforceable or not, and whether made on its own account or with any other persons) or any other means that result in the change of the financial position of the obligor.

(f) Disclosure of Interests in Contracts with the Company or any of its Subsidiaries and Voting on such Contracts

Where a Director, Supervisor, president or other senior management 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/her contract of service with the Company), he/she shall declare the nature and extent of his/her interests to the Board at the earliest opportunity, regardless of whether such contract, transaction or arrangement or proposal is otherwise subject to the approval of the Board.

Unless the interested Director, Supervisor, president or other senior management has disclosed his/her interests in accordance with the preceding paragraph of the Articles and the contract, transaction or arrangement has been approved by the Board at the meeting in which the interested Director, Supervisor, president or other senior management is not counted in the quorum and refrains from voting, the contract, transaction or arrangement is voidable at the request of the Company except as against a bona fide party thereto acting without notice of the breach of duty by the interested Director, Supervisor, president or other senior management. A Director, Supervisor, president and other senior management of the Company is deemed to be interest in a contract, transaction or arrangement in which one of his/her related persons or associates is interested.

If a Director, Supervisor, president, or other senior management of the Company, before the date on which the question of entering into the relevant contract, transaction or arrangement is first taken into consideration by the Company, gives to the Board a general notice in writing stating that, by reason of the facts stated in the notice, he/she is interested in the contracts, transactions or arrangements which may subsequently be entered into by the Company, he/she shall be deemed to have made a proper disclosure for the purposes of the relevant provisions in the Articles so far as the content stated in such notice is concerned.

(g) Remuneration

The Company shall, with the prior approval of Shareholders in the general meeting, enter into a contract in writing with each Director or Supervisor for remuneration in respect of their services. The remuneration shall include:

- (i) remuneration in respect of their services as Director, Supervisor or senior management of the Company;
- (ii) remuneration in respect of their services as Director, Supervisor or senior management of any subsidiary of the Company;
- (iii) remuneration otherwise in connection with services provided for the management of the Company and any of its subsidiaries; and
- (iv) 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 in respect of the payable remuneration due to the matters specified above.

(h) Retirement, Appointment and Removal

The following persons may not serve as a Director, Supervisor, president, or other senior management 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, expropriation of property, misappropriation of property or damaging the social economic order, and have been penalized 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 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 license revoked due to a violation of the law and were ordered to close down and were personally liable for such matters of such company or enterprise, where less than three years have elapsed since the date of the completion of the revoking of business license of such company or enterprise;
- (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 the judiciary;
- (vii) persons who were not allowed to be heads of enterprises as stipulated by laws or administrative regulations;
- (viii) persons who are not natural persons;
- (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 by the relevant authority, where less than five years have lapsed since the date of conviction; and
- (x) other persons stipulated by the laws and regulations of the places where the Shares of the Company are listed.

The validity of the conduct of Directors, president, or other senior management 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, president, or other senior management.

The Company has a board of directors which shall consist of fifteen Directors. The non-employee Directors shall be elected at general meetings. A Director is not required to hold any Shares in the Company.

The chairman of the Board shall be elected or removed by not less than half of all of the Directors. A Director may be removed by ordinary resolution at a general meeting.

The term of office of the chairman and other Directors shall be three years and is renewable upon re-election.

The list of candidates of Directors and Supervisors shall be proposed in form of a motion to the general meeting for approval.

(i) Borrowing Powers

Subject to the laws and administrative regulations of China, the Company shall be entitled to raise capital and borrow money through various means, including (without limitation) the issue of bonds, mortgage or pledge of part or whole of its property and other rights as permitted by the laws and administrative regulations of China, provided that such action does not damage or abrogate rights of any Shareholder.

The Articles 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 stipulate 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, president, and other senior management 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 shall be entitled to adopt the following measures where a Director, Supervisor, president, or other senior management is in breach of his/her duties owed to the Company:

- (i) to claim against such a Director, Supervisor, president or other senior management for losses incurred by the Company as a result of his/her misconduct;
- (ii) to rescind any contracts or transactions entered into between the Company and the Director, Supervisor, president or other senior management and a third party where such third party has knowledge or should have knowledge of the misconduct;
- (iii) to recover profits made by the Director, Supervisor, president or other senior management as a result of his/her misconduct;
- (iv) to recover any monies received by the Director, Supervisor, the chief executive or other senior management which should have been received by the Company, including, without limitation, commissions;
- (v) to demand the return of the interest earned or which may have been earned on monies referred to in (iv) above by the Director, Supervisor, president or other senior management which would have been received by the Company; and
- (vi) to initiate legal proceedings to determine whether the assets of a Director, Supervisor, president or other senior management earned through his/her misconduct should belong to the Company.

The Board shall carry out its duties in compliance with the laws and administrative regulations, the Articles and resolutions of the general meetings. Each Director, Supervisor, president, and other senior management of the Company shall abide by his/her fiduciary principles in the discharge of his/her duties, and shall not place himself/herself in a position where his/her duty and his/her own interests may conflict. Such principles include (without limitation) the performance of the following:

- (i) to act honestly in what he/she considers to be in the best interest of the Company;
- (ii) to exercise his/her powers within the scope specified and not to act ultra vires;

- (iii) to exercise the discretion vested in him/her personally and not allow himself/herself to act under the influence of others; unless and to the extent permitted by law and administrative regulations or by the general meeting which has been informed of the relevant facts, not to delegate the exercise of his/her 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 or with the informed consent of the general meeting, not to enter into any contract, transaction or arrangement with the Company;
- (vi) not to use the assets of the Company for his/her personal benefit in any manner without the informed consent of the general meeting;
- (vii) not to use his/her position to accept bribes or other illegal income and not to misappropriate the fund of the Company or expropriate the assets of the Company in any manner, including (without limitation) opportunities beneficial to the Company;
- (viii) not to accept commissions in connection with the transactions of the Company without the informed consent of the general meeting;
- (ix) to abide by the Articles, faithfully perform his/her duties and protect the interests of the Company, and not to use his/her 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 the general meeting, and not to harm the interests of the Company by way of connected transaction;
- (xi) not to misappropriate the funds of the Company or lend the funds of the Company to others, not to open any bank account in his/her own name or other's name for the deposit of the assets of the Company, and not to provide security for debt of Shareholders of the Company or any other individuals; and
- (xii) not to disclose confidential information of the Company obtained during his/her term of office and not to use such information other than in the interest of the Company, without the informed consent of the general meeting, except where the disclosure of information to a court or a relevant governmental authority is made (aa) as stipulated by the law; (bb) under the request of public; or (cc) as required for the personal interests of the Director, Supervisor, president or other senior management.

A Director, Supervisor, president, or other senior management 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, president, or other senior management if he/she is:

- (i) the spouse or minor child of such a Director, Supervisor, president, or other senior management;
- (ii) a trustee of such a Director, Supervisor, president, or other senior management or any person referred to in (i) above;
- (iii) a partner of such a Director, Supervisor, president, or other senior management or of any person referred to in (i) and (ii);
- (iv) a company controlled by a Director, Supervisor, president, or other senior management, or with one or more persons referred to in above (i), (ii) and (iii) or with any of other Directors, Supervisors, president, or other senior management of the Company; or

- (v) a Director, Supervisor, president, or other senior management of a company referred to in (iv) above.

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

Except in circumstances referred to in the Articles, liabilities of a Director, Supervisor, president, or other senior management arising from the violation of a specified duty may be released by informed Shareholders in a general meeting.

In addition to obligations imposed by relevant laws, administrative regulations or the listing rules of the securities exchange on which the Shares of the Company are listed, Directors, Supervisors, president, and other senior management 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 license;
- (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 (without limitation) opportunities beneficial to the Company; and
- (iv) not to deprive Shareholders of their personal rights and interests, including (without limitation) rights to distribute and to vote, except in a Company reorganization submitted in accordance with the provisions of the Articles and adopted at general meetings.

Each of the Directors, Supervisors, president, and other senior management of the Company owes a duty, in the exercise of his/her powers and discharge of his/her duties, to exercise the caution, diligence and skill that a reasonably prudent person would exercise under similar circumstances.

Where the Company incurs losses as a result of a Director or senior management having violated any provision of law, administrative regulation or the Articles in the course of performing their duties with the Company, Shareholders alone or in aggregate holding 1% or more of the Shares of the Company for one hundred and eighty (180) consecutive days or more shall be entitled to request in writing the Board of Supervisors to initiate proceedings in a court; where the Company incurs losses as a result of the Board of Supervisors having violated any provisions of laws, administrative regulations or the Articles in the course of performing its duties for the Company, Shareholders may request the Board in writing to initiate proceedings in a court.

If the Board of Supervisors or the Board refuses to initiate proceedings upon receipt of the written request of Shareholders as mentioned in the preceding paragraph, or fails to initiate such proceedings within thirty (30) days from the date on which such request is received, or in case of emergency where failure to initiate such proceedings will immediately result in irreparable damage to the interests of the Company, the Shareholders described in the preceding paragraph shall have the right to initiate proceedings in a court directly in their own names in the interests of the Company.

Pursuant to the first paragraph of the Articles, Shareholders may also initiate proceedings in a court in accordance with the preceding two paragraphs in the event that the lawful interests of the Company is infringed upon by a third party and that the Company suffers from losses accordingly.

Shareholders may initiate proceedings in a court if a Director or senior management has breached the laws, administrative regulations or the Articles resulting in impairing the interests of Shareholders.

2. AMENDMENTS TO CONSTITUTIONAL DOCUMENTS

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

The amendments to the Articles 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 changes 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 a general meeting and by holders of Shares of that class at a separate meeting conducted in accordance with the provisions of the Articles. The following circumstances shall be deemed to be a variation or abrogation of the Class Rights of a class:

- (i) an increase or decrease in the number of Shares of such class, or an increase or decrease in 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) an exchange of all or part of the Shares of such class into those of another class or a grant of a right to exchange all or part of the Shares of another class into the Shares of such class;
- (iii) the removal or reduction of rights to accrued dividends or rights to cumulative dividends attached to Shares of such class;
- (iv) the reduction or removal of a dividend preference or a liquidation preference attached to Shares of such class;
- (v) the addition, removal or reduction of conversion privileges, options, voting rights or transfer or pre-emptive rights attached to Shares of such class, or rights to obtain securities of the Company;
- (vi) the removal or reduction of rights attached to Shares of such class to receive payments payable by the Company in particular currencies;
- (vii) the creation of a new class of Shares having voting or distribution rights or privileges equal or superior to those of the Shares of such class;
- (viii) the restriction of the transfer or ownership of the Shares of such class or any addition to such restriction;

- (ix) the issuance of rights to subscribe for, or convert into, Shares of the Company of such class or another class;
- (x) the increase of the rights or privileges of Shares of another class;
- (xi) the restructuring of the Company where the proposed restructuring will result in different classes of Shareholders bearing different degrees of responsibility in respect of liability; and
- (xii) the variation or abrogation of the provisions in these Articles.

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 favor 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/her attendance at the class meeting to the Company 20 days prior to the date of the meeting.

The Company can convene a class meeting if the number of Shares of the class carrying voting rights represented by Shareholders who intend to attend represents more than 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 made, the Company may convene the class meeting.

Notice of class meetings needs 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. The provisions of the Articles relating to the holding of any meeting of Shareholders shall apply to any class meeting.

In addition to holders of other class shares, holders of Domestic Shares and foreign shares are deemed to be Shareholders of different classes. Voting by holders of different classes of Shares is not required in the following situations:

- (i) 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 Domestic Shares or foreign shares in issue;
- (ii) where the Company completes, within 15 months from the date on which approval is given by the securities regulatory authorities of the State Council, its plan (made at the time of its establishment) to issue Domestic Shares and foreign shares; and
- (iii) where Shares of our Company registered on our domestic share register may be transferred to overseas investors, and such transferred Shares may be listed or traded on an overseas stock exchange, subject to the approval of the securities authority of the State Council.

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

- (i) in the case of an offer to repurchase Shares from all Shareholders or a repurchase of Shares through public dealing on a stock exchange, a Controlling Shareholder within the meaning of the Articles;
- (ii) in the case of a repurchase of Shares by an off-market contract under the Articles, a Shareholder to whom the contract is related;
- (iii) in the case of a restructuring of the Company, Shareholders within a class who bears less liability as compared with other Shareholders of such class on a pro rata basis or who has an interest different from that of other Shareholders of such 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 half of the votes represented by Shareholders (including proxies) present at the meeting must be exercised in favor of the resolution.

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

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

The ordinary Shareholders of the Company have the right to attend or appoint a proxy to attend general meetings and to vote thereat. Shareholders (including proxies) when voting at a general meeting may exercise voting rights in accordance with the number of Shares carrying voting rights and each share shall have one vote.

At any general meeting, voting shall be on a poll. On a poll taken at a meeting, a Shareholder (including his/her proxy) entitled to two or more votes need not cast all his/her votes in the same way.

In the case of an equality of votes, the chairman of the meeting shall be entitled to an additional vote.

Where any shareholder is required to abstain from voting on any particular resolution or restricted to vote only for or only against any particular resolution according the applicable laws and regulations and the listing rules of the stock exchange(s) on which the shares of the Company are listed, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

6. REQUIREMENTS FOR ANNUAL GENERAL MEETINGS

A general meeting shall either be an annual general meeting or an extraordinary general meeting. General meetings shall be convened by the Board. Annual general meetings are held once every year within six months after the end of a financial year.

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 the China Accounting Standards formulated by the finance regulatory authority of the State Council.

The Board 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 China Accounting Standards and regulations, be prepared in accordance with either the International Accounting Standards or that of the place outside China where the Shares of the Company 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 after-tax profits of the Company 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 annual general meeting, be delivered or sent by pre-paid post to the registered address of every holder of foreign shares.

The interim results or financial information that the Company announces or discloses shall be prepared according to the China Accounting Standards, rules and regulations, and the 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 accounting year, that is, its interim financial reports within 60 days of the end of the first six months of an accounting year and its annual financial reports within 120 days of its accounting year end.

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

(b) Appointment and removal of accountants

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

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

Where the right remains unexercised in the inaugural meeting, it shall be vested with the Board.

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

The Shareholders in general meeting may by ordinary resolution remove an accounting 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 accounting firm or the manner in which such remuneration is determined shall be decided in the general meeting. The Board shall determine the remuneration of an accounting firm it appointed.

The appointment of, removal of and non-reappointment of an accounting firm of the Company shall be resolved upon by the Shareholders in the general meeting, and filed to the competent securities authority under the State Council.

Prior to the removal or the non-renewal of the appointment of the accounting firm, an advance notice of such removal or non-renewal shall be given to the accounting firm and such firm shall have the right to attend and to make representation to the general meeting.

Where the accounting firm resigns its post, it shall make clear to the general meeting whether there is any impropriety on the part of the Company.

The accounting firm may resign its office by depositing at the legal address of the Company a resignation notice which shall become effective on the date of such deposit or on such later date as may be stipulated in such notice. Such notice shall include the following:

- (i) a statement to the effect that there are no circumstances connected with its resignation which it considers should be brought to the notice of the Shareholders or creditors of the Company; or
- (ii) a statement of any such circumstances.

Where a notice is deposited under the preceding paragraph, the Company shall within fourteen (14) days send a copy of the notice to the relevant governing authority. If the notice contains a statement under circumstance (2) of the preceding paragraph, a copy of such statement shall be placed at the Company for Shareholders' inspection. The Company shall also send a copy of such statement by prepaid mail to every holder of overseas listed foreign shares at the address registered in the register of shareholders.

Where the notice of resignation of the accounting firm contains a statement of any circumstance which should be brought to the notice of the Shareholders or creditors of the Company, it may require the Board to convene an extraordinary general meeting for the purpose of receiving an explanation of the circumstances connected with its resignation.

8. NOTICE OF MEETING AND BUSINESS TO BE CONDUCTED THEREAT

The 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, president, or other 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.

General meetings are divided into annual general meetings and extraordinary general meetings. Under any of the following circumstances, the Board 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 of Directors required by the Company Law or two-thirds of the number of Directors specified in the Articles;
- (ii) when the unaccounted losses of the Company amount to one-third of its share capital;

- (iii) when Shareholders individually or collectively holding 10% or more of the Shares of the Company carrying voting rights requests in writing the convening of an extraordinary general meeting;
- (iv) when the Board considers necessary or upon the request of the Board of Supervisors;
- (v) other circumstances as stipulated in laws, regulations or the Articles.

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 a general meeting, the Board, the Board of Supervisors, more than half of all independent Directors and Shareholders individually or collectively holding 3% or more of Shares of the Company carrying voting rights shall have the right to put forward proposals in writing to the Company. Shareholders individually or collectively holding 3% or more of the shares of the Company may submit any extraordinary proposals in writing to the convener of the meeting 10 days prior to the date 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 carrying voting rights that the Shareholders attending the meeting represent. The Company can convene a general meeting if the number of Shares carrying voting rights represented by Shareholders intending to attend accounts for more than half of total number of Shares carrying voting rights. 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 general meeting. An extraordinary general meeting may not decide on matters not specified in the notice.

A notice of general meeting shall be in writing and include the following:

- (i) specify the time, place and the date of the meeting;
- (ii) state the matters and proposals to be discussed at the meeting;
- (iii) provide such information and explanation as are necessary for the Shareholders to exercise an informed judgment 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 reorganize 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;
- (iv) contain a disclosure of the nature and extent, if any, of material interests of any Director, Supervisor, president, or other senior management 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;
- (v) contain the text of any special resolution proposed to be passed at the meeting;

- (vi) 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/her and that a proxy need not be a Shareholder; and
- (vii) specify the time and place for lodging proxy forms for the relevant meeting;

Notices of 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. Notice of general meetings for holders of Domestic Shares may be made by way of public announcement.

Public announcement of notices of general meetings shall be published in one or more newspapers designated by the securities regulatory authority of the State Council during 45 days to 50 days prior to the date of the meeting. Upon the publication of announcement, all holders of Domestic Shares shall be deemed to have received notice of the relevant general meeting. For holders of H shares, subject to the compliance with the laws, regulations, the listing rules of the place where the shares of the Company are listed and these Articles, the notice of a general meeting, circular of shareholders and relevant documents may be published on the website of the Company and the Hong Kong Stock Exchange. 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 or the Board of Supervisors requisitioning to convene an extraordinary general meeting or class meeting shall abide by the following procedures:

- (i) Two or more shareholders or the Board of Supervisors individually or collectively holding more than 10% (including the 10%) of the Shares carrying voting rights at the meeting to be convened may, by signing one or more counterpart written requisitions stating the object of the meeting, require the Board to convene an extraordinary general meeting or a class meeting. The Board shall convene the extraordinary general meeting or class meeting after receipt of such written requisition(s). The shareholdings referred to above shall be calculated as at the date of the delivery of the written requisition(s).
- (ii) Where the Board fails to issue notice of convening meeting within thirty days upon receipt of the above written request, Shareholder(s) individually or collectively holding more than 10% (including the 10%) of the Shares carrying voting rights at the meeting to be convened may request by written requisition(s) the Board of Supervisors to convene the extraordinary general meeting or class meeting. The Board of Supervisors may convene the meeting on its own accord within four months upon the receipt of such request by the Board. Where the Board of Supervisors fails to convene and hold the meeting, Shareholder(s) individually or collectively holding 10% or more Shares carrying voting rights on such proposed meeting for ninety consecutive days or above may convene meeting on their own accord. The convening procedures shall be the same as those of meeting convened by the Board.

Where the Shareholders or the Board of Supervisors convenes the meeting on their own accord as a result of the failure of the Board to hold the meeting in accordance with the requirements above, the reasonable cost so incurred shall be borne by the Company and deducted from the amount due to the incompetent directors.

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

- (i) work reports of the Board and the Board of Supervisors;
- (ii) plans for the distribution of profits and for making up losses proposed by the Board;
- (iii) the election and removal of the members of the Board and Supervisors representing Shareholders, their remuneration and method of payment;
- (iv) annual budget and final account report, balance sheet, statement of profit and loss and other financial statements of the Company;
- (v) business and investment plans of the Company; and
- (vi) save as required by laws, administrative regulations, requirements of the listing rules of stock exchange in where the Shares of the Company are listed or by the Articles, all other matters except those required to be adopted by special resolution.

The matters which require the approval of a special resolution at a general meeting include:

- (i) the increase in or reduction of share capital, repurchase of Shares of the Company and issue of any class of Shares, warrants and other similar securities of the Company;
- (ii) the issue of debentures;
- (iii) the division, merger, dissolution, liquidation or change of the form of the Company;
- (iv) amendments to the Articles;
- (v) the acquisition and disposal of major assets by the Company within one year or the guarantee with an amount of more than 30% of the latest audited total assets of the Company;
- (vi) the share incentive scheme; and
- (vii) other important matters which have been considered to have material effect on the Company and adopted by passing ordinary resolutions at general meeting that are required to be adopted by special resolutions.

In the event that any resolution of the general meeting or the Board violates any of the laws and administrative regulations, the Shareholders have the right to request the court to hold the relevant resolution as invalid.

In the event that convening procedures or voting methods of the general meeting or meetings of the Board violate any of the laws, administrative regulations or the Articles, or if the contents of the resolution violate the Articles, the Shareholders may request the court to cancel the resolution within sixty (60) days from the date on which the resolution is adopted.

9. TRANSFER OF SHARES

Subject to the approval of the securities supervision authority of the State Council, holders of our Domestic Shares may transfer their Shares to overseas investors, and such transferred Shares may be listed or traded on an overseas stock exchange. The listing or trading of the transferred Shares on an overseas stock exchange shall also comply with the regulatory procedures, regulations and requirements of the overseas stock market.

Shares of the Company held by the promoter are not transferable within one (1) year commencing from the date of establishment of the Company. Shares of the Company that are already in issue prior to its public offering are not transferable within one (1) year commencing from the date on which the Shares of the Company were listed and traded on a stock exchange.

The Directors, Supervisors and senior management of the Company shall report to the Company the number of Shares held by them in the Company and the subsequent changes in their shareholdings. The number of Shares which a Director, Supervisor or senior management may transfer every year during his term of office shall not exceed 25% of the total number of the Shares of the Company in his/her possession; and Shares of the Company in his/her possession are not transferable within one (1) year commencing from the date on which the Shares of the Company were listed and traded on a stock exchange. Such personnel shall not transfer the Shares of the Company in their possession within six (6) months after they have terminated their employment with the Company.

Any gains from the sale of Shares of the Company by any Director, Supervisor, senior management or Shareholders of the Company holding 5% or more of the Shares in the Company within six (6) months after purchasing such Shares, or thereafter any gains from repurchasing such Shares in the Company within six (6) months after the sale thereof, shall be vested in by the Company. The Board of the Company shall forfeit such gains from the abovementioned parties. If the Board of the Company fails to comply with the provision set forth in this paragraph, the responsible Director(s) shall be jointly and severally liable therefor in accordance with the law.

If the Board of the Company fails to comply with the provision set forth in the preceding paragraph, a Shareholder shall have the right to require the Board to effect the same within thirty (30) days. If the Board fails to do so within the said time limit, a Shareholder shall have the right to initiate proceedings in a court directly in his/her own name in the interest of the Company.

All the fully paid-up H Shares can be freely transferred in accordance with the Articles. However, the Board may refuse to recognize any instrument of transfer without giving any reasons, unless:

- (i) a fee (for each instrument of transfer) of HK\$2.50 or any maximum fee as stipulated from time to time by the Hong Kong Stock Exchange has been paid to the Company for registration of any instrument of transfer or any other document which is related to or will affect ownership of the Shares;
- (ii) the instrument of transfer only involves overseas listed foreign shares listed in Hong Kong;
- (iii) the stamp duty chargeable on the instrument of transfer has been paid;
- (iv) the relevant share certificate and any evidence in relation to the right of the transferor to transfer the Shares reasonably requested by the Board has been submitted;
- (v) if it is intended to transfer the Shares to joint owners, then the maximum number of joint owners shall not exceed four;
- (vi) the Company does not have any lien on the relevant Shares; and
- (vii) no transfer shall be made to minors or persons of unsound mind or under other legal disability.

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

No changes in the Shareholders' register due to the transfer of Shares may be made within thirty (30) days before the date of a general meeting or within five (5) days before the record date for the distribution of dividends of the Company.

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 and subject to the approval of the relevant governing authorities of China, 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 the Shares of the Company;
- (iii) granting Shares as incentive compensation to the staff of the Company;
- (iv) acquiring the Shares of Shareholders who vote against any resolution adopted at the general meeting on the merger or division of the Company; or
- (v) other circumstances as permitted by the laws and administrative regulations.

After purchasing Shares as stipulated in item (i), (ii) and (iv) of Article 30, the Company shall cancel such Shares within the period prescribed by laws and administrative regulations, and shall make an application to its original registration authority to modify the registration on its registered capital and have a relevant announcement published. If the Company repurchases its own Shares in accordance with item (iii) of Article 30, the shares so repurchased shall not exceed the maximum proportion prescribed by laws and administrative regulations, and shall be transferred to the employees within the time frame prescribed by laws and administrative regulations.

The Company may, upon the approval of the relevant governing authorities of China, 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; and
- (iv) other ways as approved by the relevant regulatory authority.

The Company may, with the prior approval of Shareholders at a general meeting in accordance with the Articles, 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 at a general meeting 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.

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 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 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:
 - (a) if the Shares being repurchased were issued at par value, payment shall be made out of the book surplus distributable profits of the Company;
 - (b) 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 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 share premium account or 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 distributable profits of the Company:
 - (a) acquisition of rights to repurchase Shares;
 - (b) variation of any contract to repurchase Shares;
 - (c) release of any of the obligations of the Company under a contract to repurchase Shares; and
- (iv) after the registered capital of the Company 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 share premium account or capital reserve fund account of the Company.

Where the Company has the power to purchase for redemption a redeemable share:

- (i) purchase not made through the market or by tender shall be limited to a maximum price; and
- (ii) if purchases are by tender, tenders shall be available to all Shareholders alike.

11. THE ARTICLES CONTAINS NO RESTRICTIONS PREVENTING ANY SUBSIDIARY OF THE COMPANY FROM HOLDING SHARES.

12. DIVIDENDS AND OTHER METHODS OF DISTRIBUTION

The Company may distribute dividends by way of cash or bonus shares.

Any amount paid up in advance of calls on any Share may carry interest but shall not entitle the holder of the Share to participate in respect thereof in a dividend subsequently declared.

The Company shall appoint on behalf of holders of foreign 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 foreign shares listed in Hong Kong shall be a company registered as a trust company under the Trustee Ordinance of Hong Kong.

Dividends and other payments payable by the Company to holders of Domestic Shares shall be denominated and declared in Renminbi, and payable in Renminbi within three months following the announcement of profit distribution. Dividends and other payments payable to holders of foreign shares shall be denominated and declared in Renminbi and payable in foreign currency within three months following the announcement of profit distribution. The exchange rate shall be the average closing price of relevant foreign currency against Renminbi announced by the PBOC in five working days prior to the declaration of dividends or other distributions. The Company shall arrange the foreign currency for payment to holders of foreign shares in accordance with foreign exchange management regulations of the PRC. The general meeting shall, by ordinary resolution, authorize the Board to implement the distribution of dividends of the Company.

13. PROXIES ENTRUSTED BY THE SHAREHOLDERS

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

- (i) the right of the Shareholder to speak at the meeting;
- (ii) the right to demand, whether on his/her own or together with others, a poll;
- (iii) the right to vote on a poll according to the number of Shares, the voting rights of which he/she is authorized to exercise; however, if the proxy represents more than one Shareholder, the proxy must vote on a poll.

The instrument appointing a proxy shall be in writing by the Shareholder under the hand of the appointor or his/her attorney duly authorized in writing, or if the appointor is a legal person either under seal or under the hand of a Director or attorney duly authorized. The instrument appointing a voting proxy shall be deposited at the domicile of the Company or at such other place as is specified in the notice of 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 authorization documents given by the appointor, such power of attorney or other authorization documents shall be notarized. The notarized power of attorney or other authorization documents shall, together with the instrument appointing the voting proxy, be deposited at the domicile of the Company or at such other place as is specified in the notice of convening the meeting.

If the appointor is a legal person, its legal representative or any person authorized by resolutions of its Board or other governing body shall attend the general meeting on behalf of the appointor.

Any form issued to a Shareholder by the Board for the purpose of appointing a proxy shall be such as to enable the Shareholder, according to his/her free will, to instruct his/her proxy to vote in favor 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 appointor, the proxy may vote as he/she thinks fit.

A vote given in accordance with 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

Any amount paid up in advance of calls on any Share may carry interest but shall not entitle the relevant Shareholder to participate in respect thereof in a dividend subsequently declared.

Subject to the compliance with relevant laws and regulations of the PRC as well as other requirements of the Hong Kong Stock Exchange, the Company may exercise its right to confiscate the dividends which are not claimed by anyone, but such right can only be exercised after the expiry of the relevant time frame.

15. INSPECTION OF REGISTER OF SHAREHOLDERS AND OTHER RIGHTS OF SHAREHOLDERS

The Company shall keep a register of Shareholders.

The Company may, in accordance with the memorandum of understanding or agreements between the securities regulatory authority of the State Council and the overseas securities regulatory organizations, maintain the register of Shareholders of foreign shares overseas and appoint overseas agent(s) to manage such share register.

Duplicates of the share register for holders of foreign shares shall be maintained at the domicile of the Company. The appointed overseas agent(s) shall ensure the consistency between the original and the duplicate of the share register. The original copy of register of Shareholders of overseas listed foreign shares which are 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 foreign 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 of Shareholders kept at the domicile of the Company unless otherwise specified in items (ii) and (iii) below;
- (ii) register of holders of the overseas listed foreign shares kept in the place of the stock exchange where those foreign shares are traded; and
- (iii) register of Shareholders kept at other places as the Board 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 general meeting or 5 days prior to the record date for the distribution of dividends of the Company.

When the Company decides to convene a general meeting, distribute dividends, liquidate or carry out other activities which require the determination of shareholdings, the Board shall fix a record date for the purpose of determining the shareholding. A person whose name appears in the register of 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 add his/her name on, or delete his/her name from, the register may apply to the court of the 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 after payment of costs;
- (ii) the right to inspect and copy, subject to payment of a reasonable fee:
 - a. all parts of the register of members;
 - b. personal particulars of each of the Directors, Supervisors, the Chief Executive, and other senior management of the Company;
- (iii) status of the share capital of the Company;
- (iv) the latest audited financial statements, and report of Directors, report of auditors and report of Board of Supervisors;
- (v) special resolutions of general meetings of the Company;
- (vi) reports showing the aggregate par value, quantity, highest and lowest price paid in respect of each class of Shares repurchased by the Company since the end of the last accounting year and the aggregate amount paid by the Company for this purpose;
- (vii) copies of the latest annual inspection report which have been filed with the State Administration for Industry & Commerce of the PRC and other competent authority in the PRC; and
- (viii) Minutes of general meetings.

Shareholders demanding inspection of the relevant information or copies of the materials mentioned in the preceding paragraph shall provide to the Company written documents indicating the class and number of Shares they hold in the Company. After confirmation of the Shareholder's identity, the Company shall provide such information based on the request of the Shareholder.

16. QUORUM FOR GENERAL MEETINGS

The Company can convene a general meeting if the number of Shares carrying voting rights represented by Shareholders intending to attend accounts for at least half of the total number of Shares carrying voting rights.

The Company can convene a class meeting, if the number of Shares of the class carrying voting rights represented by Shareholders intending to attend accounts for at least half of the total number of such Shares of the class.

17. *RIGHTS OF NON-CONTROLLING SHAREHOLDERS IN RELATION TO FRAUD OR OPPRESSION*

In addition to the obligations imposed by laws and administrative regulations or the listing rules on which Shares 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 all Shareholders or some of the Shareholders of the Company in respect of the following matters:

- (i) to relieve a Director or Supervisor of his/her 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 assets of the Company, including (without limitation) opportunities beneficial to the Company; or
- (iii) to approve the expropriation by a Director or Supervisor (for his own benefit or for the benefit of another person) of the individual rights of other Shareholders, including (without limitation) rights to distributions and voting rights, but not including a restructuring plan of the Company submitted to the general meeting for approval in accordance with the Articles.

18. *PROCEDURE ON DISSOLUTION AND LIQUIDATION*

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

- (i) a resolution for dissolution is passed by a general meeting;
- (ii) dissolution is necessary due to a merger or division of the Company;
- (iii) the Company is legally declared insolvent due to its failure to repay debts due;
- (iv) business license of the Company is suspended or rescinded or the Company is ordered to close down in accordance with law;
- (v) where the operation of the Company encounters serious difficulty, continuing operation will cause substantial loss to Shareholders and such difficulty cannot be solved through other way, Shareholders holding more than ten percent of the voting rights of all Shareholders may request the People's Court to liquidate the Company;
- (vi) other circumstances in which the Company is required to dissolve according to laws and regulations.

Where the Company is dissolved by virtue of the reasons set out in items (i) in the preceding Article, the Company shall establish a liquidation committee within 15 days, and the members of the liquidation committee shall be selected at general meeting in the form of ordinary resolution. Where the Company is dissolved by virtue of the reasons set out in items (iii) and (v) in the preceding Article, the People's Court shall, in accordance with the requirements under the relevant laws, organize the Shareholders, the relevant authorities and the professional bodies to establish a liquidation committee

for the purpose of dissolution of the Company. Where the Company is dissolved by virtue of the reasons set out in items (iv) in the preceding Article, the relevant authorities shall organize the Shareholders, the relevant authorities and the professional bodies to establish a liquidation committee for the purpose of dissolution of the Company.

Where the Board 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 of convening a general meeting to consider the proposal to the effect that, after making full inquiry into the affairs of the Company, the Board is of the opinion that the Company will be able to pay 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 shall cease.

The liquidation group shall act in accordance with the instructions of the general meeting to make a report at least once every year to the 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 general meeting on completion of the liquidation.

The liquidation group shall within ten days of its establishment send a notice to creditors, and within 60 days of its establishment make a public announcement in a newspaper.

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 assets of the Company 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 outstanding business issues of the Company;
- (iv) to pay all outstanding taxes;
- (v) to settle claims and debts;
- (vi) to deal with assets remaining after the debts of the Company having been paid in full; and
- (vii) to represent the Company in any civil proceedings.

The liquidation committee shall thoroughly examine the assets of the Company, and prepare a balance sheet and an inventory of assets. Upon completion, the liquidation committee shall draw up a proposal for liquidation and submit the same to the general meeting or the relevant competent authority for confirmation.

If the liquidation committee, having thoroughly examined the assets of the Company and having prepared a balance sheet and an inventory of assets, discovers that the assets of the Company 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 liquidation committee of the Company shall turn over any matters regarding the liquidation to the People's Court.

Following the completion of liquidation, the liquidation committee shall prepare a report on liquidation and a statement of the receipts and payments and financial books and records during the period of liquidation, which shall be audited by the PRC certified public accountants and submitted to the general meeting or the relevant governing authority for confirmation. The liquidation committee 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 Company may invest in other companies, but shall not be liable for any obligations of such companies as an investor unless otherwise specified by laws.

The Articles constitute a legal document regulating the organization and actions of the Company and 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. The Shareholders may also bring actions against the Directors, Supervisors, president, and other senior management of the Company. For the purposes of the Articles, actions include court proceedings and arbitration proceedings.

(b) Shares and transfers

Foreign investors referred to in the Articles mean those investors of foreign countries and regions of Hong Kong, Macau and Taiwan who subscribe for the 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 the 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 the specific investors and/or existing Shareholders;
- (iii) allotting bonus shares to its existing Shareholders;
- (iv) conversion of capital reserve; and
- (v) any other ways permitted by laws and administrative regulations or approved by the competent securities authority of the State Council.

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

The Company may reduce its registered capital in accordance with the Company Law and other relevant requirements as well as provisions of the Articles.

When the Company reduces its registered capital, it shall prepare a balance sheet and an inventory of assets. The registered capital after reduction shall not be less than the statutory minimum amount.

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

(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/she holds. Holders of the same class of Shares enjoy the same rights and subject to the same obligations.

Unless otherwise specified in the Articles, the holders of Domestic Shares and foreign shares are holders of ordinary shares and are entitled to the same rights and shall comply with 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/her;
- (ii) the right to attend or appoint a proxy to attend general meetings and to vote thereat;
- (iii) the right to supervise and inspect the business operations of the Company, 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;
- (v) the right to obtain relevant information in accordance with the provisions of the Articles;
- (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/her;
- (vii) in the event of a merger or division of the Company, the right to request the Company to purchase his/her Shares if he/she objects to the merger or division; and
- (viii) other rights conferred by laws, administrative regulations and the Articles.

The Company shall not freeze or otherwise impair any of the rights attaching to any share by reason only that the person or persons who are interested directly or indirectly therein have failed to disclose their interests to the Company.

A Shareholder is not 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 legal representative of the Company. Where the stock exchanges on which Shares are listed require the share certificates to be signed by

senior management of the Company, the share certificates shall also be signed by such senior management. The share certificates shall take effect after being affixed with the seal or a machine-imprinted seal of the Company provided that such seal shall only be affixed with the authority of the Board. The signatures of the legal representative or other senior management 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/her name (title) entered into the register of Shareholders may, if his/her share certificate (the “original certificate”) in respect of the 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 Shares loses his share certificate and applies for a replacement new share certificate, it shall be dealt with in accordance with the relevant provisions of the Company Law. If a shareholder of foreign shares listed in Hong Kong loses his/her 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/she 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.
- (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 has not 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, 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) Untraceable members

The Company may cease sending dividend warrants by post to a holder of foreign shares listed overseas when such warrants have not been cashed twice in a row. However, such power may be exercised after the first occasion on which such a warrant is returned undelivered.

The Company shall not sell the Shares of a Shareholder who is untraceable unless:

- (i) during a period of 12 years at least three dividends in respect of the Shares in question have become payable and no dividend during that period has been claimed; and
- (ii) subject to the approval of the securities regulatory authority of the State Council, upon expiry of the 12 years the Company publishes an announcement in newspapers specifying its intention to sell the Shares and notifies the Stock Exchange of such intention.

(e) Board of Directors

The Board of Directors shall be accountable to the general meetings, and exercise the following functions and powers:

- (i) to convene and report its work to the general meetings;
- (ii) to implement resolutions of the general meeting;
- (iii) to decide on the business plans and investment plans of the Company;
- (iv) to formulate the plans for annual financial budgets and final accounts of the Company;
- (v) to formulate the plans for profit distribution and making up losses of the Company;
- (vi) to formulate proposals for the increase or reduction of registered capital and the issue of shares, debentures or other securities and the listing project of the Company;
- (vii) to formulate plans for major acquisition, repurchase of the Shares of the Company or the merger, division, dissolution or change of the nature of incorporation of the Company;
- (viii) to decide on matters such as external investment, acquisition and disposal of assets, pledge of assets, external guarantee, bank facilities, entrusted wealth management and connected transactions, except those which shall be approved by the general meeting of the Company as prescribed by laws, administrative regulations, ministerial rules or the Articles;
- (ix) to decide on the establishment of the internal management organization of the Company;
- (x) to appoint or remove the president and secretary of the Board of the Company; to appoint or remove the senior management, such as the vice president and financial officer, of the Company pursuant to the nominations of the president and decide on their remuneration as well as reward and punishment;
- (xi) to formulate the basic management system of the Company;
- (xii) to prepare plans for amending the Articles;
- (xiii) to manage information disclosure matters of the Company;

- (xiv) to propose to the general meetings as to the appointment or change of the accounting firm for the auditing of annual financial statements of the Company and decide on its auditing fee;
- (xv) to receive the work reports of the president of the Company and to review the work of the president;
- (xvi) to decide the establishment of special committees and their compositions;
- (xvii) to exercise other functions and powers conferred by the laws, regulations and the listing rules of the stock exchange on which the Shares of the Company are listed, at general meetings and the Articles.

Resolutions relating to the above, with the exception of items (vi), (vii) and (xii) above which shall be approved by more than two thirds of the Directors, shall be approved by more than half of the Directors. The Board shall perform its duties in accordance with laws and administrative regulations of the PRC, the Articles and resolutions of Shareholders.

Meetings of the Board shall be held regularly at least four times in each year and shall be convened by the chairman of the Board.

If a Director is unable to attend a board meeting, he/she 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 authorization.

Directors attending board meetings shall exercise their powers as directors within their scope of authorization. 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 otherwise stated in the Articles, resolutions adopted at the board meeting shall be approved by more than half of all Directors. Where there are an equal number of votes for and against a particular resolution, the chairman shall be entitled to have a casting vote.

When a Director and the enterprises involved in the resolutions of the board meeting have connected relations, such Director shall not exercise his/her voting rights on such proposal nor can he/she exercise any voting rights on behalf of others directors. The meeting may be held if it is quorated by more than half of the unconnected Directors. The resolutions of the board meeting shall be passed by more than half of unconnected Directors. If the number of unconnected Directors attending the board meeting is less than three, such matter shall be put forward to the general meeting for consideration.

(f) Independent Directors

The Board of the Company shall be composed of fifteen members, including five independent Directors.

(g) Secretary to the Board

The secretary to the Board shall be a natural person who has the requisite professional knowledge and experience, and shall be appointed by the Board.

(h) Board of Supervisors

The Company shall have a Board of Supervisors.

The Board of Supervisors shall be composed of seven members, including four non-staff representative supervisors and three staff representative supervisors.

The election or removal of the chairman of the Board of Supervisors shall be decided by not less than two-thirds of the Supervisors. Decisions of the Board of Supervisors shall be made by the affirmative vote of not less than two-thirds of the Supervisors.

The terms of office of Supervisors shall be three years, renewable upon re-election.

The Directors, president and senior management of the Company shall not act concurrently as Supervisors. The Board of Supervisors shall be accountable to the general meeting and exercise the following functions and powers in accordance with law:

- (i) to review the regular reports of the Company formulated by the Board and provide written review opinion;
- (ii) to supervise the finance of the Company;
- (iii) to supervise the Directors and senior management in their performance of duties and to propose the removal of Directors and senior management who have contravened any law, administrative regulations, the Articles or Shareholders' resolutions;
- (iv) to demand any Director and senior management of the Company who acts in a manner which is harmful to the interests of the Company to rectify such behavior;
- (v) to propose to convene an extraordinary general meeting of the Board of Directors and to convene and preside over general meetings when the Board fails to perform such duty;
- (vi) to make proposals at a general meeting;
- (vii) to institute a lawsuit against the Directors or senior management in accordance with the Company Law;
- (viii) to conduct investigations whenever unusual operation conditions of the Company arise and if necessary, to engage professional institutions such as firms of accountants and lawyers to assist in the investigations at the cost of the Company;
- (ix) other functions and powers conferred by the general meeting.

Supervisors shall be present at meetings of the Board.

(i) The president

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

- (i) to be in charge of the production, operation and management of the Company and report to the Board;
- (ii) to organize the implementation of the resolutions of the Board and annual business plans and investment plans of the Company;

- (iii) to draft the plan for establishment of the internal management organization of the Company;
- (iv) to draft the general management system of the Company;
- (v) to formulate the detailed rules and regulations of the Company;
- (vi) to propose to the Board the appointment or dismissal of the vice presidents and financial officer of the Company;
- (vii) to employ or dismiss the management personnel other than those to be employed or dismissed by the Board;
- (viii) to decide on matters according to the authorization of the Board;
- (ix) other functions and powers granted by the Articles or the Board.

(j) Common Reserve Fund

When distributing the after-tax profits of the current year, the Company shall allocate 10% of its profits into its statutory common reserve fund. When the cumulated amount of the statutory common reserve fund of the Company has reached 50% or more of its registered capital, no further allocation is required.

Where the statutory common reserve fund of the Company is insufficient to make up for the losses of the Company incurred during the previous years, before making allocation to the statutory common reserve fund in accordance with the preceding paragraph, the profits generated during the current year shall be used to make up for such losses.

After making allocation to the statutory common reserve fund of the Company from its after-tax profits, the Company may, subject to resolutions adopted at a general meeting, also allocate funds from the after-tax profits to the discretionary common reserve fund.

After making up for the losses and making contributions to the common reserve fund, any remaining after-tax profits shall be distributed to the Shareholders in proportion to their respective shareholdings, except otherwise stipulated in the Articles.

If the general meeting has, in violation of the provisions of the preceding paragraphs, distributed profits to the Shareholders before the Company has made up for its losses and made allocations to the statutory common reserve fund, the Shareholders shall return the profits distributed in violation of the provision to the Company.

No profits shall be distributed in respect of the Shares held by the Company.

(k) Settlement of Disputes

The Company shall follow the following principles for settlement of disputes:

- (i) Any disputes or claims related to matters of the Company (i) between the Company and its Directors or senior management and (ii) between shareholders of overseas listed foreign shares and the Company; between shareholders of overseas listed foreign shares and the Directors, Supervisors, the president or other senior management of the Company; between shareholders of overseas listed foreign shares and shareholders of Domestic

Shares, that arise based on the rights and obligations stipulated in the Articles, the Company Law and the relevant laws and administrative regulations, shall be referred by the relevant parties to arbitration.

Where a dispute or claim involves the above parties, the entire claim or dispute shall be referred to arbitration and all persons (being the Company or Shareholders, Directors, Supervisors, the president or other senior management of the Company), who have a cause of action based on the same facts giving rise to the dispute or claim or whose participation is necessary for the resolution of such dispute or claim, shall abide by arbitration.

Disputes regarding definition of shareholders and registration of members may be resolved other than by way of arbitration.

- (ii) The claimant may refer the arbitration to either the China International Economic and Trade Arbitration Commission in accordance with its arbitration rules, and may also refer the arbitration to the Hong Kong International Arbitration Centre in accordance with its securities arbitration rules. Once a claimant refers a dispute or claim to arbitration, the other party shall submit to the arbitral body elected by the claimant.

If the claimant refers the arbitration to the Hong Kong International Arbitration Centre, either party may request the arbitration to be conducted in Shenzhen in accordance with the securities arbitration rules of the Hong Kong International Arbitration Centre.

- (iii) Unless otherwise provided in the laws and administrative regulations, any disputes or claims arising out of item (i) above shall be resolved in accordance with the laws of the PRC.
- (iv) The decision made by the arbitral body shall be final and conclusive, and shall be binding on all parties.