

ZHEJIANG CANGNAN INSTRUMENT GROUP COMPANY LIMITED

RULES OF PROCEDURE OF THE SUPERVISORY COMMITTEE

CHAPTER 1 GENERAL PROVISIONS

Article 1 In order to ensure the standardized operation of Zhejiang Cangnan Instrument Group Company Limited (the “Company”), improve the working efficiency as well as the scientific and legal decision-making of the supervisory committee, and safeguard the interests of the Company and the legitimate rights and interests of shareholders, the Rules of Procedure are formulated in accordance with the Company Law of the People’s Republic of China (hereinafter referred to as the “Company Law”), the Securities Law of the People’s Republic of China, the Mandatory Provisions for Articles of Association of Companies to be Listed Overseas, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and other laws, regulations, rules and normative documents as well as the relevant provisions of the Articles of Association of Zhejiang Cangnan Instrument Group Company Limited (the “Articles of Association”).

CHAPTER 2 SUPERVISORS

Article 2 The term of office of the supervisors shall be three(3) years and may be reappointed at the end of the term.

Article 3 Directors and senior management officer(s) of the Company shall not concurrently serve as supervisors.

Article 4 In the event that the terms of office of supervisors fall upon maturity whereas new members of the supervisory committee are not re-elected in time, or the resignation of any supervisor during his/her term of office results in the number of members of the supervisory committee falling below the statutory minimum requirement, the said supervisors shall continue to perform their duties in accordance with the laws, administrative regulations and the Articles of Association until the reelected supervisors assume their office.

Article 5 The supervisors shall ensure the truthfulness, accuracy and completeness of the information disclosed by the Company.

Article 6 The supervisors may attend board meetings, and deliver enquiry or suggestion regarding resolutions of the board.

Article 7 The supervisors shall not use their connected relationship to prejudice the Company’s interests and shall be liable for indemnity to any loss caused to the Company.

Article 8 A supervisor shall carry out his/her supervisory duties honestly and faithfully in accordance with the laws, regulations and the Articles of Association.

Any supervisor who violates any laws, administrative regulations, departmental rules or the Articles of Association during the course of performing his/her duties and causes losses to the Company shall be liable for making compensation for any loss caused to the Company.

CHAPTER 3 SUPERVISORY COMMITTEE

Article 9 The Company shall establish a supervisory committee.

Article 10 The supervisory committee shall consist of five supervisors, among whom, one shall act as the chairman of the supervisory committee.

The appointment and dismissal of the chairman of the supervisory committee shall be passed by not less than two-thirds (inclusive) of its members.

Article 11 The supervisory committee shall consist of shareholder representatives and employee representatives. Appointment and dismissal of shareholder representatives shall be subject to election at the shareholders' general meeting. The percentage of employee representatives shall not be less than one-third of the members of the supervisory committee. The employee representatives of the supervisory committee shall be elected or dismissed by employees of the Company at the employee representatives' meeting, employee meeting or otherwise democratically.

Article 12 The supervisory committee shall be accountable to the shareholders' general meeting and shall perform the following duties according to the laws:

- (I) to review the Company's financial condition;
- (II) to supervise the conducts of the directors and senior management officer(s) in discharge of their duties to ensure that they do not violate any laws, administrative regulations or the Articles of Association in the performance of their duties, and to advise on the dismissal of any director and senior management who are in breach of laws, administrative regulations, the Articles of Association or resolutions of the shareholders' general meetings;
- (III) to demand rectification from directors and senior management where their conducts are detrimental to the interests of the Company;
- (IV) to examine the financial information such as the financial report, business report and plans for profits distribution to be submitted by the board to the shareholders' general meetings and, should any queries arise, to engage, in the name of the Company, certified public accountants and practicing auditors to conduct a re-examination;
- (V) to propose to convene an extraordinary general meeting, and to convene and preside over the shareholders' general meeting where the board of directors fails to perform its duties to convene and preside over a shareholders' general meeting as required under the Articles of Association;
- (VI) to propose motions at a shareholders' general meeting;
- (VII) to propose to convene an extraordinary board meeting;
- (VIII) to deal with or take legal actions against directors and senior management officer(s) on behalf of the Company pursuant to the Company Law;

- (IX) to conduct investigations whenever unusual conditions of operation of the Company arise and if necessary, to engage professional institutions such as accounting firms and law firms to assist in the investigations; the reasonable cost incurred are to be borne by the Company;
- (X) other duties specified in laws, administrative regulations, departmental rules or the Articles of Association.

Article 13 Meetings of the supervisory committee include the regular meeting and the extraordinary meeting of the supervisory committee.

The supervisory committee shall meet at least once every six(6) months. The chairman of the supervisory committee shall convene and preside over the meeting. Supervisors can propose to convene an extraordinary supervisory committee meeting.

In the event that the chairman of the supervisory committee is unable to perform or fail to perform his/her duties, a supervisor who is jointly elected by not less than half of the supervisors shall convene and chair the meeting of the supervisory committee.

The convener of the supervisory committee shall convene an extraordinary meeting of the supervisory committee within ten(10) days (excluding the day of the meeting) under the following circumstances:

- (I) when the supervisors so propose;
- (II) when the general meeting and the board meeting pass resolutions in violation of laws, regulations, normative documents, provisions and requirements of securities regulatory authorities, the Articles of Association, resolutions of the general meeting and other relevant provisions;
- (III) when the misconduct of directors and senior management may cause material losses to the Company;
- (IV) when the Company, directors, supervisors and senior management are sued by shareholders;
- (V) when the Company, directors, supervisors and senior management are punished by the securities regulatory authorities;
- (VI) when the securities regulatory authorities so require;
- (VII) other circumstances as specified in the Articles of Association.

Article 14 The supervisors' proposal to convene an extraordinary meeting of the supervisory committee shall be submitted or delivered in writing to the chairman of the supervisory committee, and the written proposal shall include the following contents.

- (I) the name of the supervisor making the proposal;
- (II) the reason for the proposal or the objective reasons on which the proposal is based;
- (III) the time, place and form of the proposed meeting;
- (IV) clear and specific proposals;
- (V) the contact information of proposer.

The content of the proposal shall comply with the relevant provisions of the Rules. The chairman of the supervisory committee shall, within three(3) days upon receipt of the written proposal of the supervisor, issue a notice to convene an extraordinary meeting of the supervisory committee. If the chairman of the supervisory committee fails to promptly send the notice of the meeting, the supervisor making the proposal shall report to securities regulatory authorities in a timely manner.

Article 15 A meeting of the supervisory committee shall not be conducted unless it is attended by more than a half of the supervisors. Voting at the meeting of the supervisory committee shall be carried out by open ballot and each supervisor shall have one vote. A supervisor who has a material interest in the matter to be voted on shall not be involved in the discussion of such matter and exercise the right to vote.

A supervisor shall attend meetings of the supervisory committee in person, or appoint in writing another supervisor to attend the meeting on his/her behalf due to his/her absence. The power of attorney shall specify the name of the proxy, the extent of authorization, matters of entrustment, instructions to vote on proposals and the valid term, and shall be signed and sealed by the appointer. A proxy shall produce the power of attorney when attending such meetings and exercise his/her rights within the scope of authorization.

The resolution made by the supervisory committee shall be approved by not less than two-thirds of the members of the supervisory committee.

Article 16 The discussed issues shall be recorded in the minutes of the meeting of the supervisory committee. Supervisors attending the meeting shall sign on the minutes of meetings.

Supervisors are entitled to request that an explanatory record of their comments made at the meetings be noted in the minutes. Minutes of meetings of the supervisory committee shall be maintained as company files for at least ten(10) years.

Article 17 A notice of a regular meeting of the supervisory committee shall be delivered to all supervisors in writing ten(10) days before the meeting, and a notice of an extraordinary meeting of the supervisory committee shall be delivered to all supervisors in writing five(5) days before the meeting.

The minutes of meetings of the supervisory committee shall include the following:

- (I) the date, place and duration of the meeting;
- (II) the issues to be considered;
- (III) the contact person and contact information of the meeting;
- (IV) the date when the notice is served.

In case of emergency, the supervisory committee may give notice of extraordinary supervisory committee meeting in words or by telephone, and the convener shall give explanation at the meeting correspondingly.

Article 18 The reasonable expenses incurred by the supervisors to attend meetings of the supervisory committee shall be paid by the Company. Such expenses include the transportation expenses from the place where the supervisors are located to the place of the meeting (if not the place where the supervisors are located), the accommodation expenses during the meeting, rent of the venue and the local transportation expenses.

All reasonable expenses incurred in respect of the employment of professionals such as lawyers, certified public accountants or practicing auditors as required by the supervisor committee in discharging its duties shall be borne by the Company.

CHAPTER 4 SUPPLEMENTARY PROVISIONS

Article 19 The figure itself shall be included if the Rules refer to any such words as “not less than”; the figure itself shall not be included if the Rules refer to any such words as “more than”.

Article 20 The Rules of Procedure are formulated by the supervisory committee as an appendix to the Articles of Association, and shall become effective upon approval by the general meeting from the date when the overseas listed foreign shares issued by the Company are listed and traded on The Stock Exchange of Hong Kong Limited. Amendments to the Rules of Procedure shall be proposed by the supervisory committee and shall take effect after being approved by more than half of the shareholders attending the general meeting.

Article 21 Matters not specified in the Rules of Procedure shall be implemented in accordance with relevant laws and regulations, listing rules of the stock exchange where the Company’s shares are listed and the Articles of Association. In case of any conflict between the Rules of Procedure and relevant laws and regulations, the Listing Rules and other relevant regulatory rules of the listing place or the Articles of Association, the relevant laws and regulations, the Listing Rules and other relevant regulatory rules of the listing place and the Articles of Association shall prevail, and the Rules of Procedure shall be amended accordingly as soon as practical for approval by more than half of the shareholders attending the general meeting.

Article 22 Unless otherwise stated, the terms used herein shall have the same meaning as those defined in the Articles of Association.

Article 23 The Rules of Procedures are subject to interpretation by the supervisory committee of the Company as authorized by the general meeting.