

SHENZHEN EXPRESSWAY COMPANY LIMITED



ARTICLES OF ASSOCIATION

(Effective since 18th Dec 2009)

* This document is originally prepared in Chinese and this English version is for reference only. In case of any inconsistency between the Chinese version and the English version, the Chinese version shall prevail.

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Chapter 1 General Provisions

Article 1 The Company (or “the Company”) is a joint stock limited company established in accordance with the Company Law of the People’s Republic of China (the “Company Law”), “Special Regulations Of The State Council On The Offer Of Shares And Listing Oversea Of Joint Stock Limited Companies (the “Special Regulations”) and other relevant laws, regulations of the state.

The Company with the approval under the document “Ti Gai Sheng” [1996] 185 of the State Commission for Restructuring the Economic System was established by way of promotion by 3 companies, registered with the Administration Bureau of Industry and Commerce of Shenzhen City on 30 December 1996 and obtained the business licence of the Company, the business licence number: Shenzhen Si Zi N23624.

The promoters of the Company are Xin Tong Chan Development (Shenzhen) Company Limited (formerly known as Shenzhen Freeway Development Company), Shenzhen Shen Guang Hui Highway Development Company and Guangdong Roads & Bridges Construction Development Company Limited (formerly known as Guangdong Roads and Bridges Construction Development Company).

Pursuant to the “Provisional Regulations in relation to Certain Questions for Establishment of Foreign-invested Joint Stock Limited Company” (《关于设立外商投资股份有限公司若干问题的暂行规定》), upon approval by the Ministry of Commerce of the People’s Republic of China on 7 June 2005, the Company changed into a foreign-invested joint stock limited company.

Article 2 The registered Chinese name of the Company is:
深圳高速公路股份有限公司

The English name of the Company is:
SHENZHEN EXPRESSWAY COMPANY LIMITED

Address: Podium Levels 2-4,
Jiangsu Building,
Yitian Road,
Futian District,
Shenzhen,
the People’s Republic
of China

Postal code: 518026

Telephone No.: (86-755) 82853300

Facsimile: (86-755) 82853400

Article 3 All of the Company's assets are divided by equal shares. Shareholders are liable to the liabilities of the Company to the extent of the shares subscribed by them, whereas the Company is liable to the liabilities of the Company out of all the assets of the Company.

Unless otherwise provided in these Articles of Association, the shareholders of the Company, including the shareholders of domestic capital shares and foreign capital shares as mentioned in Article 16, shall enjoy equal rights and undertake equal obligations.

Article 4 The chairman of the board of directors shall be the legal representative of the Company.

Article 5 The Company is a perpetually existing joint stock limited company.

Article 6 The Company shall not be the shareholder with unlimited liability of other profit-making organisations.

Article 7 Unless otherwise provided in the "Company Law" or other relevant laws and regulations, the provisions in these Articles of Association in accordance with the requirements of the "Mandatory Provisions for the Articles of Association of Companies Seeking a Listing Outside the People's Republic of China" shall not be amended or repealed.

Article 8 These Articles of Association shall be passed by special resolution of the shareholders' general meeting of the Company and shall become effective upon approval by the State Commission for Restructuring the Economy and registration with the State Administration for Industry and Commerce and these Articles of Association shall entirely replace the Articles of Association of the Company originally registered with the State Administration for Industry and Commerce. From the effective date of these Articles of Association, these Articles of Association shall be a legally binding document which regulates the organisation and acts of the Company, the rights and obligations between the Company and the shareholders and among the shareholders.

The Articles of Association shall be binding on the Company, its shareholders, directors, supervisors, presidents and other senior managerial officers. All persons mentioned above may claim rights relating to the affairs of the Company in accordance with these Articles of Association.

In accordance with these Articles of Association, shareholders may institute legal proceedings against the Company; the Company may institute legal proceedings against shareholders; shareholders may institute legal proceedings against other shareholders; shareholders may also institute legal proceedings against directors, supervisors, managers and other senior managerial officers of the Company.

The legal proceedings referred to in the preceding paragraph shall include legal proceedings instituted in courts or the application to arbitration institutions for arbitration.

Other senior managerial officers referred to in these Articles of Association shall include the vice presidents, financial controller, chief engineer, secretary to the board of directors, and any person designated or confirmed by the board of directors as the board of directors shall deem necessary from time to time.

Article 9 The Company may invest in other companies with limited liability and joint stock limited liability companies and its liabilities therefor shall be limited to the amount of the capital invested.

Chapter 2 Business Objects and Business Scope

Article 10 The business objectives of the Company are: to adhere to a business strategy, based on scientific technology and focusing on quality and aiming at cost-effectiveness; to actively explore new expressway operation and development projects; to promote the modernization of expressways in the People's Republic of China; to improve the management of the Company in accordance with the rules of market economy and international standards.

Article 11 The business scope of the Company shall be the items as approved by the registration authority of the Company. The business scope of the Company includes investment, construction and management of expressways and roads, operation of import and export business (in accordance with qualification certificate).

Article 12 Pursuant to the trends in domestic and international markets, its business development requirements both in China and overseas and the development capability of the Company, the Company may make amendments in respect of the policies of investment, its scope of business and form of operation, after approval has been granted by the resolutions in shareholders' meeting and by the relevant government authorities.

Chapter 3 Shares and Registered Capital

Article 13 The Company shall provide for ordinary shares at all times; pursuant to its requirements and upon the approval granted by the examining and approving authorities of the Company authorized by the State Council, the Company may create other classes of shares.

The total number of shares of the Company is 2,180,770,326 shares, all of which are ordinary shares.

Article 14 The shares issued by the Company shall have a par value of Renminbi one yuan per share.

Renminbi referred to in the preceding paragraph shall mean the lawful currency of the People's Republic of China.

Article 15 The Company may issue shares to domestic investors and overseas investors upon the approval granted by the securities supervisory authorities under the State Council.

Overseas investors referred to in the preceding paragraph shall mean investors in foreign countries and Hong Kong, Macau and Taiwan who subscribe for shares issued by the

Company; domestic investors shall mean investors within the People's Republic of China other than Hong Kong, Macau and Taiwan who subscribe for shares issued by the Company.

Article 16 The shares issued by the Company to domestic investors and subscribed for in Renminbi shall be called domestic capital shares. The shares issued by the Company to overseas investors and subscribed for in foreign currencies shall be called foreign capital shares. Those foreign capital shares which are listed outside the PRC shall be called overseas listed foreign capital shares (including but not limited to H shares). H shares refer to those foreign capital shares listed on the Hong Kong Stock Exchange and subscribed for and traded in Hong Kong dollars.

Article 17 Three promoters subscribed for 1,268,200,000 domestic capital shares by asset injection (including relevant liabilities) upon incorporation of the Company, out of which 745,780,000 state-owned shares were held by Shenzhen Freeway Development Company (currently known as Xin Tong Chan Development (Shenzhen) Company Limited), 457,780,000 state-owned legal person shares were held by Shenzhen Shen Guang Hui Highway Development Company and 64,640,000 state-owned legal person shares were held by Guangdong Roads & Bridges Construction Development Company (currently known as Guangdong Roads & Bridges Construction Development Company Limited).

On 21 February 1997, the Company obtained approval from the State Council Securities Committee to issue 747,500,000 overseas listed foreign capital shares (H Shares) which were subscribed for in Hong Kong dollars and listed overseas, to foreign investors. The same were listed on the Hong Kong Stock Exchange on 12 March 1997.

On 2 November 2000, in accordance with "The Approval for Changes in the Holders of Certain State-owned Shares of the Five Expressway Joint Stock Limited Companies Including Anhui Wan Tong" (Guo Zi Qi Fa No. 27 [1998]) (《关于变更安徽皖通等五家高速公路股份有限公司部份国家股持股单位的批覆》国资企发[1998] 27 号) issued by State Assets Administration Bureau, "The Notice in relation to the State-owned Interests in the Five Expressway Joint Stock Limited Companies Including Anhui Wan Tong Owned by the Ministry of Communications Through its Investments by way of Vehicle Purchase Surcharges to be Held by Huajian Transportation and Economic Development Centre" (Jiao Cai Fa No. 129 [1998]) (《关于交通部以车辆购置附加费投资安徽皖通等五家高速公路股份有限公司形成的国家股权由华建交通经济开发中心持有的通知》交财发[1998]129 号) issued by the Ministry of Communications, "The Approval for Matters in Relation to the Holding and Management of the Relevant State-owned Interests in Certain Toll Road Listed Companies by Huajian Transportation and Economic Development Centre" (Cai Guan Zi No. 156 [1999]) (《关于华建交通经济开发中心持有并管理有关公路上市公司国有股权问题的批覆》财管字[1999]156 号) issued by the Ministry of Finance and "The Forward Issue of the Notice of Approval for Matters in Relation to the Holding and Management of the State-owned Interests in Certain Toll Road Listed Companies by Huajian Transportation and Economic Development Centre" (Jiao Cai Fa No. 366 [1999]) (《关于转发关于华建交通经济开发中心持有并管理有关公路上市公司国有股权问题的批覆的通知》交财发[1999]366 号) issued by the Ministry of Communications, Shenzhen Freeway Development Company (currently known as Xin Tong Chan Development (Shenzhen) Company Limited) and Huajian Transportation and Economic Development Centre

entered into an agreement for change of state-owned shares and the related supplemental agreement under which Shenzhen Freeway Development Company (currently known as Xin Tong Chan Development (Shenzhen) Company Limited) transferred 91,000,000 state-owned shares to Huajian Transportation and Economic Development Centre and such shares were converted into state-owned legal person shares. Upon completion of the transfer, Shenzhen Freeway Development Company (currently known as Xin Tong Chan Development (Shenzhen) Company Limited) held 654,780,000 state-owned shares, Shenzhen Shen Guang Hui Highway Development Company held 457,780,000 state-owned legal person shares, Guangdong Roads & Bridges Construction Development Company (currently known as Guangdong Roads & Bridges Construction Development Company Limited) held 64,640,000 state-owned legal person shares and Huajian Transportation and Economic Development Centre held 91,000,000 state-owned legal person shares.

On 29 August 2001, pursuant to the Zhen Jian Fa Zi No. 57 [2001] (证监发字[2001]57号), the China Securities Regulatory Commission approved the issue of additional 165,000,000 RMB-denominated ordinary shares (A Shares), which were subscribed for in Renminbi by domestic investors and were listed on the Shanghai Stock Exchange of the PRC on 25 December 2001.

The original holders of state-owned shares and state-owned legal person shares together held 1,268,200,000 domestic shares, all of which were non-circulating shares. On 27 February 2006, the aforesaid shareholders transferred an aggregate of 52,800,000 domestic shares to A Shares shareholders in exchange for the circulating rights of the remaining 1,215,400,000 shares in the A Shares market. After implementation of the proposal, Xin Tong Chan Development (Shenzhen) Company Limited holds 654,780,000 circulating shares with selling restriction; Shenzhen Shen Guang Hui Highway Development Company holds 411,459,887 circulating shares with selling restriction; Huajian Transportation and Economic Development Centre holds 87,211,323 circulating shares with selling restriction and Guangdong Roads & Bridges Construction Development Company Limited holds 61,948,790 circulating shares with selling restriction. The number of unrestricted A Shares is 217,800,000. The selling restrictions on the aforesaid 1,215,400,000 restricted circulating shares were released on 2 March 2009.

On 9 October 2007, pursuant to the Zheng Jian Fa Xing Zi No. 315 [2007] (證監發行字[2007]315號) issued by China Securities Regulatory Commission, the Company issued convertible corporate bonds (in which bonds and subscription warrants are tradable separately) to domestic investors, with a total of 108,000,000 warrants attached. As at the end of the exercise period on 29 October 2009, a total of 70,326 warrants had been exercised. The Company therefore issued 70,326 RMB-denominated ordinary shares (A Shares), which were subscribed for in Renminbi and were listed on the Shanghai Stock Exchange, to such warrant holders.

Article 18

The board of directors of the Company may, upon the approval of the Company's plan to issue overseas listed foreign capital shares and domestic capital shares by the securities supervisory authorities of the State Council, arrange for the issue of such shares.

The Company's plan to issue overseas listed foreign capital shares and domestic capital shares shall be carried out respectively pursuant to the provisions aforesaid within 15 months from the date of approval of the securities supervisory and administrative

authorities of the State Council.

Article 19 The issue of overseas listed foreign capital shares and domestic capital shares within the total number of shares determined under the plan of issue shall respectively be issued and subscribed for in one issue; if this can not be achieved due to exceptional circumstances, the same may upon the approval of the securities supervisory and administrative authorities of the State Council be issued in separate issues.

Article 20 The registered capital of the Company is RMB2,180,770,326.

Article 21 The Company may increase its capital in accordance with the relevant provisions of these Articles of Association pursuant to the operational and development requirements of the Company.

The Company may increase its capital in the following methods:

- (1) offer of new shares to unspecified investors;
- (2) placement of new shares to the existing shareholders;
- (3) bonus issues of new shares to the existing shareholders;
- (4) other methods as permitted by laws and administrative regulations.

Upon the approval thereof under the provisions of these Articles of Association, the increase of capital of the Company by way of issuing new shares shall be carried out pursuant to the procedures provided by relevant laws and administrative regulations of the State.

Article 22 Unless otherwise provided by laws and administrative regulations, the shares of the Company shall be freely transferable and free from any lien.

Shares in the Company held by the promoters shall not be transferred within one year since the Company's establishment. The shares which have already been issued before the public offer shall not be transferred within one year since the shares of the Company have been listed on the stock exchange.

The Company shall not accept the pledge of its own shares as security.

Directors, supervisors and other senior management of the Company shall report to the Company their shareholdings in the Company and their changes and shall not transfer more than 25% of the total number of shares held by them during each year of their terms of service. The shares held by them shall not be transferred within one year from the date when the shares of the Company were listed and traded. The aforesaid personnel shall not transfer their shares in the Company within the half year from date of departure. Any gains from sale of shares by the directors, supervisors and other senior management of the Company within six months after purchase of the same, and any gains from the purchase of the shares within six months after sale of the same shall be forfeited to the

Company and the board of directors of the Company shall recoup the gains.

Chapter 4 Capital Reduction and Repurchase of Shares

Article 23 The Company may reduce its registered capital in accordance with the stipulations of these Articles of Association.

Article 24 Upon the reduction of registered capital, the Company shall prepare a balance sheet and list of assets.

The Company shall notify its creditors within 10 days from the date the resolution for the reduction of capital has been passed and shall publish a notice at least three times in a newspaper within 30 days thereof. The creditors who have received such notice shall, within 30 days thereof, and those creditors who have not received such notice shall within 90 days from the date the notice is first published, be entitled to request the Company to settle the liabilities or to provide corresponding guarantees on the liabilities thereof.

The registered capital of the Company after the reduction of capital shall not fall below the minimum amount required by law.

Upon reduction of registered capital, the Company shall apply to the company registration authorities to register such changes in accordance with the law.

Article 25 The Company may repurchase its issued shares in accordance with the procedures provided by these Articles of Association after the same having been approved by the relevant supervisory authorities of the State in the following circumstances:

- (1) cancellation of shares for the purpose of reduction of capital of the Company;
- (2) merger with other companies which hold shares of the Company;
- (3) other circumstances permitted by laws and administrative regulations.

Article 26 The Company may repurchase its shares upon the approval granted by the relevant supervisory authorities of the State in any one of the following manners:

- (1) to make a repurchase offer to all shareholders in equal proportion to their shareholdings;
- (2) to repurchase the shares in open trading on a recognised stock exchange;
- (3) to repurchase the shares by way of agreement other than through a recognised stock exchange;
- (4) other manners as specified by relevant supervising authorities.

Article 27 The repurchase of shares by the Company by way of agreement other than through a recognised stock exchange shall require the prior approval of shareholders in general

meeting in accordance with the provisions of these Articles of Association. Upon prior approval granted in the same manner by shareholders in the general meeting, the Company may discharge or amend any agreement entered into in the aforesaid manner or to waive any rights granted under such agreement.

The agreement for repurchase of shares referred to in the preceding paragraph shall include but not limited to the agreements relating to the assumption of obligations to repurchase shares and the acquisition of rights to acquire repurchased shares.

The Company shall not assign an agreement for the repurchase of its shares or any of the rights provided therein.

The repurchase of shares by the Company pursuant to paragraph 1 or 2 of Article 26 shall be approved by shareholders' general meeting in accordance with the provisions of these Articles of Association.

Article 28

The Company shall cancel within the time limit stipulated by laws and administrative regulations the shares repurchased and shall apply to the original company registration authorities for the registration of the alteration of its registered capital.

The registered capital of the Company shall be reduced by the same amount as the total nominal value of the shares so cancelled.

Article 29

Unless the Company is in liquidation, the repurchase of issued shares by the Company shall be subject to the following provisions:

- (1) for those shares repurchased at par value, the amount thereof shall be deducted from the balance of the distributable profits as shown on the accounts of the Company or from the proceeds of the issue of new shares for the purpose of repurchasing the old shares;
- (2) for those shares repurchased at a value exceeding the par value, the amount equivalent to the par value thereof shall be deducted from the balance of the distributable profits as shown on the accounts of the Company or from the proceeds of the issue of new shares for the purpose of repurchasing the old shares; the part in excess of the par value shall be dealt with in the following manners:
 - (a) for those repurchased shares which were issued at par, it shall be deducted from the balance of distributable profits as shown on the accounts of the Company;
 - (b) for those repurchased shares which were issued in excess of the par value, it shall be deducted from the balance of distributable profits as shown on the accounts of the Company or from the proceeds of the issue of new shares for the purpose of repurchasing the old shares; however, the amount deducted from the proceeds of the issue of new shares shall not exceed the total premium received from the issue of such repurchased shares, nor shall it exceed the amount in the Company's premium account at the time of such repurchase (including the amount of

premium from the issue of new shares);

- (3) The payments made by the Company for the following purposes shall be paid out of the distributable profits of the Company;
 - (a) obtaining rights to repurchase its shares;
 - (b) alteration of any agreement for repurchase of its shares;
 - (c) discharging its obligations under the repurchase agreement.
- (4) After the total number of shares has been so repurchased and cancelled through the reduction of the registered capital of the Company pursuant to the relevant provisions, the amount which has been deducted from the distributable profits and which has been used for repurchasing the nominal value of the shares shall be credited to the capital reserve fund account of the Company.

Chapter 5 Financial Assistance for the Purchase of the Company's Shares

Article 30 The Company or its subsidiaries shall not, at any time or in any manner, provide any financial assistance to any person who acquires or intends to acquire the shares of the Company. The person who acquires the shares of the Company as aforesaid includes the person who assumes, directly or indirectly, obligations as a result of the purchase of the shares of the Company.

The Company or its subsidiaries shall not, at any time or in any manner, provide financial assistance to reduce or discharge a person who assumes such obligations as aforesaid from such obligations.

This Article shall not apply to circumstances as described in Article 32 of this Chapter.

Article 31 The financial assistance referred to in this Chapter shall include but not limited to the following forms:

- (1) gifts;
- (2) guarantees (including the assumption of obligations by the guarantor or the offering of property by the guarantor to secure the performance of obligations by the obligor), compensation (other than compensation to be made as a result of default on the part of the Company itself), discharge or waiver of rights;
- (3) provisions of loans or entering into contracts in which the Company has to perform obligations prior to the performance of the other party, changes to loans or to the contracting parties and the assignment of the rights of such loans or contracts;
- (4) any other forms of financial assistance given by the Company when the Company is unable to pay its debts or has no net assets or when its net assets would be

reduced to a material extent.

The assumption of obligations referred to in this Chapter shall include the obligations assumed by the obligor as a result of changes to his financial position due to the making of a contract or an arrangement (whether such contract or arrangement is enforceable or such person is liable individually or jointly with others) or pursuant to any other means.

Article 32 The following acts are not prohibited by the provisions of Article 30 of this Chapter:

- (1) the granting of relevant financial assistance by the Company where the same is given in good faith in the interests of the Company and the principal purpose of granting such assistance is not for the purchase of the Company's shares, or the assistance so granted is only an incidental part of a certain master plan of the Company;
- (2) the distribution by the Company of its assets by way of dividends declared in accordance with law;
- (3) the distribution of dividends by way of bonus shares;
- (4) reduction of registered capital, repurchase of shares of the Company and restructuring of the shareholding structure in accordance with these Articles of Association;
- (5) lending of money by the Company in the normal course of business which falls within its scope of business (but the net assets of the Company shall not be thereby reduced, or if reduced, the said financial assistance shall be made out of the distributable profits of the Company);
- (6) provision of funds by the Company for the employee share scheme (but the net assets of the Company shall not be thereby reduced, or if reduced, the said financial assistance shall be made out of the distributable profits of the Company).

Chapter 6 Share Certificates and Register of Shareholders

Article 33 Share certificates are evidence of the shares held by shareholders signed and issued by the Company. The Company shall issue share certificates in book entry form or physical form in accordance with the requirements of the relevant governments and authorities in the locality of issue and listing of the Company's shares.

Article 34 The shares of the Company shall be in registered form. The particulars to be set out in the share certificates of the Company shall, in addition to those required by the Company Law, include other particulars which are required to be included by the stock exchanges where the shares of the Company are listed.

Article 35 Share certificates shall be signed by the chairman of the board of directors. If the stock exchange on which the shares of the Company are listed shall require other senior managerial officers to sign thereon, such other senior managerial officers so required shall

also sign on such certificates. The share certificates shall come into effect upon the seal of the Company having been affixed thereto or being affixed thereto in a printed form. The affixing of the company seal upon the share certificate shall be authorised by the board of directors. The signatures of the chairman of the board of directors or other relevant senior managerial officers of the Company on the share certificates may also be made in a printed form.

Article 36 The Company shall have an exclusive securities seal in Hong Kong to be used for authenticating H-share certificates. H share certificates issued by the Company shall be authorized by the board of directors and they shall come into effect once they are signed personally by the chairman of the board of directors or in a printed form and affixed with the special securities seal of the Company. The Company shall properly keep the special securities seal of the Company which shall not be used without the prior authorization of the board of directors.

Article 37 The Company shall have a register of shareholders to register the following particulars:

- (1) the name (description), address (residence), occupation or nature (in case of legal person) of each shareholder;
- (2) class and number of shares held by each shareholder;
- (3) the amount paid or payable for the shares held by each shareholder;
- (4) the serial number of the shares held by each shareholder;
- (5) the date when each shareholder is registered as a shareholder;
- (6) the date when each shareholder ceased to be a shareholder.

Unless there is proof to the contrary, the register of shareholders shall be conclusive evidence of the holding of shares by a shareholder.

Article 38 The Company may, in accordance with the mutual understanding and agreements between the securities authority of the State Council and overseas securities regulatory organizations, maintain overseas the register of shareholders of overseas-listed foreign shares and appoint overseas agent(s) to manage the share register. The original share register for holders of H Shares shall be maintained in Hong Kong.

A duplicate of the share register shall be maintained at the Company's domicile. The appointed overseas agent(s) shall guarantee the consistency of the original and the duplicate of the share register.

If there is any inconsistency of the original and the duplicate of the share register, the original shall prevail.

The Company shall maintain and manage the register of domestic shareholders in accordance with the relevant requirements of the China Securities Regulatory Commission, Shanghai Stock Exchange and the Shanghai Branch of China Securities Depository & Clearing Corporation Limited.

Article 39 The Company shall keep a complete register of shareholders.

The register of shareholders shall contain the following parts:

- (1) the register of shareholders which is kept at the registered address of the Company, other than those provided in paragraphs (2) and (3) of this Article;
- (2) the register of shareholders of the Company's overseas listed foreign capital shares, the original of which is kept in locality where the shares are listed;
- (3) the register of shareholders which is kept at other place(s) as the board of directors deems necessary for listing of the shares of the Company.

Article 40

- (1) The various parts of the register of shareholders shall not overlap. During the process of the registration of shares in one part of the register, no transfer of such shares shall be registered in the other part of the register.
- (2) Upon transfer, the name (description) of the transferee of the shares shall be entered into the register of shareholders as the holder of such shares,
- (3) Subject to the provisions of these Articles of Association, any shareholder can transfer the whole or part of his shareholding, which can be effected by transfer in writing by instrument of transfer in the usual or common form or in such form as the board of directors may accept, shall be executed with a manual signature or facsimile signature (which may be machine imprinted or otherwise) by or on behalf of the transferor and transferee PROVIDED that in the case of execution by facsimile signature by or on behalf of a transferor or transferee the Board shall have a list of specimen signatures of the authorised signatories of such transferor or transferee and the Board shall be reasonably satisfied that such facsimile signature corresponds to one of those specimen signatures. The transferor shall be deemed to remain the holder of share until the name of the transferee is entered in the register in respect thereof.
- (4) No transfer shall be made to an infant or a person of unsound mind or under other legal disability disqualifying such person to be a shareholder of the Company.
- (5) The paid up overseas listed foreign capital shares which are listed in Hong Kong may be freely transferred in accordance with the Article of Association; the board of directors may refuse to recognise any instrument of transfer, and give no reasons unless the following conditions are satisfied:
 - (a) the transfer fee determined by the Hong Kong Stock Exchange or the transfer fee of a less amount as may be demanded by the board of directors in some other instances has been paid;
 - (b) the instrument of transfer only involves overseas listed foreign capital shares which are listed in Hong Kong;

- (c) the stamp duty relating to the instrument of transfer has been paid;
 - (d) if the shares are to be transferred to joint holders, the number of joint holders shall not exceed 4;
 - (e) the relevant share certificates, together with the evidence to show that the transferor is entitled to transfer the shares as reasonably demanded by the board of directors are produced; and
 - (f) the relevant shares shall have no lien of any company,
- (6) Changes or rectification of each part of the register of shareholders shall be carried out in accordance with the laws of the place where such part of the register of shareholders is kept.

Article 41 Within 30 days prior to a shareholders' general meeting or within 5 days prior to the record date on which basis the Company has decided to distribute dividends, no entry shall be made to the register of shareholders to record any changes resulting from any share transfer.

Article 42 In the event that the Company convenes a shareholders' general meeting, distributes dividends, enters into liquidation or carries out other activities necessary for the ascertainment of shareholding, the board of directors shall fix a day for ascertainment of the shareholding and those shareholders who remain on the register upon the close of such day shall be the shareholders of the Company. All the shareholders whose names appear in the register of shareholders at the record date and their proxies are entitled to attend the shareholders' general meeting, and exercise voting rights pursuant to the relevant laws and regulations and these Articles of Association.

Article 43 Any person who disputes the register of shareholders and requests to have his name (description) registered thereon, or requests to have his name (description) removed therefrom may apply to the court of law having jurisdiction to rectify the register of shareholders.

Article 44 If any shareholder whose name has been registered in the register of shareholders or any person who requests to have his name (description) entered into the register of shareholders has lost his share certificate(s) ("Original Certificate(s)"), he may apply to the Company for the issue of (a) replacement certificate(s) in respect of such shares ("Relevant Shares").

In respect of the loss of certificate(s) by shareholders of domestic capital shares, the replacement certificate(s) shall be applied in accordance with relevant requirement under the Company Law.

In respect of the loss of certificate(s) by shareholders of overseas listed foreign capital shares, application for replacement shall be made in accordance with the laws, rules of the relevant recognised stock exchange or other relevant provisions of the place where the original register of shareholders of overseas listed foreign capital shares is kept.

For applications for replacement of lost share certificate(s) relating to shares listed in

Hong Kong, the replacement of such certificate(s) shall be subject to the following requirements:

- (1) Applicants shall submit an application in standard form designated by the Company together with a notarial certificate or statutory declaration. The notarial certificate or statutory declaration shall include the reason for the application made by the applicant, the circumstances under which the share certificate(s) was/were lost with supporting evidence and a declaration that no other persons may request to be registered as a shareholder in respect of the Relevant Shares.
- (2) The Company shall not have received any declaration from any person other than the applicant requesting registration as the shareholder of such shares prior to the decision of the Company to issue (a) replacement share certificate(s).
- (3) If the Company decides to issue (a) replacement share certificate(s) to the applicant, an announcement of the issue of replacement share certificate(s) shall be published in the newspapers designated by the board of directors; the period for such announcement shall be 90 days and such announcement shall be published at least once every 30 days during such period.
- (4) Prior to publishing the announcement of the issue of (a) replacement certificate(s), the Company shall prepare and submit a copy of such announcement to be published to the stock exchange on which it is listed and the announcement may be published immediately upon the reply of such stock exchange confirming that such announcement has been published at the stock exchange. The period for the exhibition of such announcement at the stock exchange shall be 90 days.

If the consent to the application for (a) replacement certificate(s) has not been obtained from the registered shareholder of the Relevant Shares, the Company shall send to such shareholder by post a copy of such announcement to be published.

- (5) Upon the expiry of the 90-day period for the publication and exhibition of the said announcement as provided in paragraphs (3) and (4) of this Article and no objection being received by the Company from any person to the replacement of such certificate(s), (a) replacement share certificate(s) shall be issued pursuant to the applicant's application.
- (6) In issuing (a) replacement share certificate(s) pursuant to this Article, the Company shall immediately cancel the Original Certificate(s) and such cancellation and replacement shall be registered in the register of shareholders.
- (7) All costs incurred by the Company in connection with the cancellation of the Original Certificates and issuing replacement share certificates shall be borne by the applicant. Unless the applicant provides reasonable security, the Company shall be entitled to refuse to take any action.

Article 45

Upon the issuance by the Company of (a) replacement share certificate(s) pursuant to the provisions of these Articles of Association, the name (description) of a bona fide purchaser who acquired the new share certificate(s) aforesaid or a shareholder who is subsequently

Article 46 The Company shall assume no liability for any loss sustained by any person as a result of the cancellation of the Original Certificates or in issuing replacement share certificates, unless it can be proved that the Company has taken fraudulent acts.

Chapter 7 Rights and Obligations of Shareholders

Article 47 A shareholder of the Company is a holder of share(s) of the Company in accordance with relevant laws and whose name (description) is entered in the register of shareholders.

A shareholder shall have rights and shall undertake the obligations in accordance with the class and the number of shares held by him; the shareholders of the same class of shares shall have the same rights and shall undertake the same obligations.

Article 48 A holder of ordinary shares of the Company shall enjoy the following rights:

- (1) to receive dividends and other forms of profit distribution in accordance with the number of shares he holds;
- (2) to attend and to vote at shareholders' general meetings personally or by proxy;
- (3) to supervise and manage the business, operation and activities of the Company, and to make proposals or enquiries in relation thereto;
- (4) to transfer shares in accordance with laws, administrative regulations and the provisions of these Articles of Association;
- (5) to receive information in accordance with provisions of these Articles of Association, including:
 - a. these Articles of Association upon payment of the cost thereof;
 - b. upon payment of reasonable charges, be entitled to inspect and copy:
 - (i) all parts of the register of shareholders;
 - (ii) personal particulars of the directors, supervisors, presidents and other senior managerial officers of the Company, including:
 - (a) present and former names and aliases;
 - (b) principal address (residence);
 - (c) nationality;
 - (d) full-time occupation and all other part-time occupations or

positions;

- (e) identification document and the number thereof.
 - (iii) the share capital of the Company;
 - (iv) a report on the total nominal value, number, highest and lowest prices and all payments made by the Company in respect of each class of its shares repurchased since the last accounting year;
 - (v) minutes of shareholders' meetings.
- (6) to participate in the distribution of the remaining assets in accordance with the number of shares held upon the dissolution or liquidation of the Company;
- (7) other rights conferred by laws, administrative regulations and these Articles of Association.

When shareholders request to inspect the relevant information or to obtain materials as mentioned in this Article, they shall provide the Company with written proof in relation to the class and number of shares of the Company held by them. The Company shall satisfy such requests upon verification of their identities as shareholders.

Article 49 A holder of ordinary share(s) of the Company shall undertake the following obligations:

- (1) to observe these Articles of Association;
- (2) to pay for the subscription price in accordance with the number of shares subscribed and the manner of subscription;
- (3) other obligations to be undertaken as provided by laws, administrative regulations and these Articles of Association,

Except for the terms agreed by the share subscriber at the time of share subscription, a shareholder shall not be liable for any subsequent increase of capital.

Article 50 Save for the obligations required under the laws, administrative regulations or the listing rules of a recognized stock exchange on which the shares of the Company are listed, in exercising its rights as a shareholder, a controlling shareholder shall not exercise his voting rights to make the following decisions which would prejudice the interests of all or some of the shareholders:

- (1) to exempt the directors or supervisors from the obligation to act in good faith in the best interests of the Company;
- (2) to authorize the directors or supervisors (in the interests of himself or themselves or other persons) to deprive the Company in any manner of its assets, including but not limited to any opportunities beneficial to the Company;
- (3) to authorize the directors or supervisors (in the interests of himself or

themselves or other persons) to deprive the personal rights of other shareholders, including but not limited to any entitlement to distribution or voting rights but excluding a reorganization of the Company submitted to and passed at a shareholders' general meeting pursuant to these Articles of Association.

Controlling shareholders and persons in de facto control of the Company shall not prejudice the Company's interests through their connected relationship with the Company. If they violate the rules and cause damages to the Company, they shall be liable to pay compensations.

The controlling shareholders of the Company and persons in de facto control of the Company have fiduciary duties towards the Company and the public shareholders. The controlling shareholders shall exercise their rights as investors strictly in accordance with the laws. The controlling shareholders cannot damage the lawful rights of the Company and public shareholders by means of connected transaction, profit distribution, assets restructuring, external investment, use of capital and loan guarantee etc. The controlling shareholders shall not use their position to damage the interests of the Company and the public shareholders.

For the transactions involving capital, goods, services, guarantees or other assets between the controlling shareholders or de facto controllers and the connected parties, the Company shall proceed with the decision-making process in strict compliance with relevant requirements and system in relation to connected transactions and adopt effective measures to proactively prevent the controlling shareholders, de facto controllers and their connected parties from misappropriation of the Company's funds and prejudice to the Company's interests. The Company shall establish a mechanism of "freezing upon misappropriation" for the shares held by the controlling shareholders. Directors, supervisors and senior management of the Company have obligations to safeguard the safety of the Company's funds and uphold the Company's interests.

Article 51

The controlling shareholder referred to in the preceding Article shall mean a person who meets one of the following conditions:

- (1) such person alone, or acting in concert with others, who may elect half or more of the directors;
- (2) such person alone, or acting in concert with others, who may exercise 30 per cent or more of the voting rights of the Company or control the exercise of 30 per cent or more of the voting rights of the Company;
- (3) such person alone, or acting in concert with others, who may hold 30 per cent or more of the issued shares of the Company;
- (4) such person alone, or acting in concert with others, may have de facto control of the Company in any other way.

Chapter 8 Shareholders' General Meetings

Article 52 A sound investor relationship management working system shall be established, and the communication and interaction with the shareholders especially the public shareholders shall be initiated and strengthened through various ways. The secretary to the board of directors shall be responsible for investor relationship management works.

Article 53 The shareholders' general meeting is the body conferring authority on the Company and it shall perform its functions in accordance with relevant laws.

Article 54 The shareholders' general meeting shall exercise the following powers:

- (1) to determine the business policies and investment plans of the Company;
- (2) to elect and replace directors and to determine the remuneration of the directors;
- (3) to elect and replace supervisors who represent the shareholders and to determine the remuneration in respect of such supervisors;
- (4) to examine and to approve the report of the board of directors;
- (5) to examine and to approve the report of the supervisory committee;
- (6) to examine and to approve the annual financial budgets and final accounts of the Company;
- (7) to examine and to approve the plans for profit distribution and making up of losses of the Company;
- (8) to resolve on the increase or reduction in the registered capital of the Company;
- (9) to resolve on matters such as merger, division, dissolution and liquidation or change of nature of the company, etc. of the Company;
- (10) to resolve on the issue of debentures by the Company;
- (11) to resolve on the appointment, dismissal or discontinuance of the accounting firm of the Company;
- (12) to amend these Articles of Association;
- (13) to examine any motion put forward by shareholders representing in aggregate 5 per cent or more of the voting rights of the Company;
- (14) to consider and approve the provisions of guarantee which are required to be approved in shareholders' general meetings;
- (15) to consider and approve the acquisition or disposal of material assets which are

required to be approved in shareholders' general meetings;

- (16) to consider and approve the change of the use of proceeds from funds raisings;
- (17) to consider and approve the share incentive scheme;
- (18) other matters to be resolved at shareholders' general meeting in accordance with the requirements of laws, administrative regulations and these Articles of Association.

The Company shall formulate the Rules of Procedures for the Shareholders' General Meeting, which provide the procedures for convening the meeting and voting, including the notice, registration, consideration of motions, voting, counting of votes, announcement of the voting results, formation of resolutions, minutes of meeting and signing of the minutes, as well as the principle of authorization to the board of directors by the shareholders' general meeting.

Article 55 Without the prior approval of the shareholders' general meeting, the Company shall not enter into any contract with persons other than a director, supervisor, manager or other senior managerial officers whereby the management of all or substantial parts of the business of the Company shall be vested in such contracting person(s).

Article 56 Shareholders' general meetings shall be classified as annual general meetings and extraordinary general meetings. Shareholders' general meetings shall be convened by the Board of Directors. Annual general meetings shall be convened once every year and be held within six months after the end of the preceding accounting year.

Upon the occurrence of any of the following events, the Board of Directors shall convene an extraordinary general meeting within two months thereof:

- (1) the number of directors falls below the number provided by the Company Law or less than two-thirds of the number required by these Articles of Association;
- (2) the losses of the Company which have not been made up amount to one-third of the total share capital of the Company;
- (3) shareholders holding an aggregate of 10 per cent. or more of the issued shares of the Company vested with voting rights request in writing to convene an extraordinary general meeting;
- (4) whenever the Board of Directors considers it necessary or the Supervisory Committee proposes to convene the same;
- (5) when more than one half of the independent non-executive directors propose to convene the same.

Article 57 A shareholders' general meeting shall be convened by a written notice to the shareholders registered as such in the register of shareholders 45 days prior to the meeting specifying the matters to be considered and the time and place of the meeting to be held. Shareholders who intend to attend the shareholders' general meeting shall serve on the

Company a written reply 20 days before the date of the meeting.

Article 58 When the Company convenes an annual general meeting, shareholder(s) who holds in aggregate 5 per cent or more of the voting rights of the Company or the Supervisory Committee shall be entitled to propose new motions in writing to the Company. The contents of the motions should be within the scope of power of the shareholders' general meetings, include a clear subject and specific matters to be resolved and comply with the laws, administrative regulations, and relevant requirements in these Articles of Association. The Company shall include those motions falling within the scope of responsibility of the shareholders' general meeting into the agenda of such meeting.

At the annual general meeting, the board of directors and the supervisory committee shall report to the meeting their work in the previous year, and the independent non-executive directors shall also prepare a report of their work.

Article 59 Pursuant to the written replies received 20 days prior to the shareholders' general meeting, the Company shall calculate the number of shares vested with voting rights held by those shareholders who intend to attend the meeting. If the number of shares vested with voting rights held by those shareholders who intend to attend the meeting is more than one half of the total number of shares of the Company vested with voting rights, the Company may convene a shareholders' general meeting; otherwise, the Company shall within 5 days thereof give notice again to the shareholders specifying the matters to be transacted and the date and place of the meeting by way of an announcement. After giving such notice, the Company may convene the shareholders' general meeting.

An extraordinary general meeting shall not resolve any matters which have not been specified in the notice of meeting.

Article 60 A notice of shareholders' general meeting shall satisfy the following requirements:

- (1) it shall be in writing;
- (2) it shall specify the place, the date and the time of the meeting;
- (3) it shall state the business to be transacted;
- (4) it shall provide the shareholders with all such information and explanation as are necessary for a prudent decision to be made by the shareholders on the business to be transacted, which shall include (but not limited to) the provision of concrete terms and contract (if any) of the proposed transaction together with a detailed explanation of the causes and consequences thereof in the event of the Company proposes a merger, repurchase of its shares, a restructuring of share capital or other manners of reorganisation;
- (5) if any of the directors, supervisors, president and other senior managerial officers is materially interested in matters to be discussed, he shall disclose the nature and the extent of such interest; if the effect of the matters to be discussed on such director, supervisor, president or senior managerial officers as a shareholder differs from other shareholders of the same class, such differences shall be specified;

- (6) it shall contain the full text of any special resolution proposed to be passed at the meeting;
- (7) it shall expressly specify in writing that the shareholders entitled to attend and vote at the meeting shall have the right to appoint one or more than one proxy to attend the meeting in his stead and to vote thereat and the proxy or proxies need not be a shareholder;
- (8) it shall specify the time and place for the delivery of the instrument for appointing proxy to vote at the meeting;
- (9) it shall specify the date of registration of the voting rights for shareholders who are entitled to attend in the shareholders' general meeting.

If the shareholders' general meeting intends to discuss matters relating to the election of directors and supervisors, the notice of the meeting shall fully disclose the detailed information of the candidates for directors and supervisors, that shall at least include the candidates' personal particulars such as educational background, work experience and part-time job; whether there is any connected relationship between the candidates and the Company or the controlling shareholders and the de facto controllers of the Company; disclosure of the candidates' shareholdings in the Company; and whether or not the candidates have been penalized by the relevant supervising authorities or organisation.

Article 61

Notice of shareholders' general meeting shall be served on the shareholders (whether vested with voting rights at the shareholders' general meeting or not) by personal delivery or by prepaid post at the address recorded in the register of shareholders. In respect of holders of domestic capital shares, notice of shareholders' general meeting may also be served by way of advertisement.

The advertisement referred to in the preceding paragraph shall be published 45 days prior to the date of the meeting in one or several newspapers designated by the securities supervisory authorities of the State Council. Once the advertisement has been published, all holders of domestic capital shares shall be deemed to have received notice of the shareholders' meeting.

Article 62

Any shareholder who is entitled to attend a shareholders' meeting and to vote thereat shall have the right to appoint a person or several persons (whether a shareholder or not) as his proxies to attend the same and vote thereat on his behalf. Such proxy or proxies may exercise the following rights pursuant to the appointment made by the appointing shareholder:

- (1) the right of such shareholder to speak at the shareholders' general meeting;
- (2) to act on his own or join with other persons to demand for a poll;
- (3) to exercise the right to vote by a show of hands or by poll; however, if there are more than one proxy appointed, such proxies shall only exercise the right to vote on a poll.

Article 63 A shareholder shall appoint his proxy in writing and signed by the appointor or an attorney authorised by him for such purpose in writing; if the appointor is a legal person, the same shall be affixed with the seal of such legal person, or signed by its directors or a duly authorised representative.

Article 64 An instrument appointing a proxy shall be deposited at least 24 hours prior to the commencement of the relevant meeting at which the proxy is appointed to vote or 24 hours before the time appointed for voting at the registered address of the Company or such other place as the notice of meeting may specify. If the instrument appointing a proxy has been signed by a person authorised by the appointor, the power of attorney or other instruments of authorization shall be notarised. The power of attorney or other instruments of authorisation so notarised together with the proxy form shall be deposited at the registered address of the Company or such other place as the notice of meeting may specify.

In the event that the appointor is a legal person, such shareholder shall be represented at the shareholders' meeting of the Company by its legal representative or the person authorised by the board of directors or other governing body of such appointor.

Article 65 (1) The instrument delivered to a shareholder by the board of directors of the Company for appointing a proxy shall be in such form so as to enable the shareholder to instruct freely at his choice the proxy to vote in favour of or against and to give instruction on each item of the business put to vote at the meeting. Such instrument of proxy shall specify that in default of instruction from the shareholder, the proxy may vote in such a way as he thinks fit.

(2) In the event that a shareholder of the Company is a recognized clearing house (as defined in the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), or a clearing house as recognized by the laws of the jurisdiction where the securities of the Company are listed ("Clearing House"), it may appoint a proxy (or proxies) it considers appropriate to attend any general meeting or class meeting of the Company. The proxy form to appoint such proxy (or proxies) shall set out the number and class of shares such proxy (or proxies) is (are) authorized for. The person (or persons) so authorized is (are) entitled to exercise the right of and on behalf of the Clearing House (or its nominee) as if such shareholder is an individual shareholder of the Company.

Article 66 Notwithstanding the death or incapacity of the appointor, or the revocation of the appointment or revocation of the authority under which the appointing instrument is signed, or the relevant shares have been transferred, a vote given by such proxy pursuant to the instrument of appointment shall still be valid provided that no notice in writing In respect of the events mentioned above has been received by the Company prior to the commencement of the relevant meeting.

Article 67 Resolutions of shareholders' general meetings shall be classified as ordinary resolutions and special resolutions.

An ordinary resolution of a shareholders' general meeting shall be passed by more than one half of the voting rights held by the shareholders (including their proxies) who are

present at the shareholders' general meeting.

A special resolution of a shareholders' general meeting shall be passed by more than two thirds of the voting rights held by the shareholders (including their proxies) who are present at the shareholders' general meeting.

Article 68

A shareholder (including proxy) may exercise voting rights in accordance with the number of shares carrying the right to vote and each share shall have one vote. No shares held by the Company shall be entitled to any voting right nor counted in the total number of shares with voting rights at the shareholders' general meeting.

Chairman of the meeting should announce the number of shareholders and proxies present at the meeting and the total number of voting shares held by them before voting. The record of the meeting which states the number of shareholders and proxies present at the meeting and the total number of voting shares held by them shall prevail.

The list of candidates of the directors and supervisors shall be submitted to the shareholders' general meeting to resolve in a form of motion. For the election of directors and supervisors, the accumulative voting system is adopted in accordance with the requirements of these Articles of Association or the resolutions of the shareholders' general meeting. The accumulative voting system means that, during the election of directors and supervisors in the shareholders' general meeting, each share carries the number of voting rights equal to the number of directors or supervisors to be elected. The shareholders may cast all their votes on one candidate.

Other than the accumulative voting system, the shareholders' general meeting will vote on all motions one by one, and for the different motions on the same matter, voting will be proceeded according to the order of the times these motions are put forward. Other than special reasons such as force majeure which results in the interruption of the meeting or makes it impossible to come to resolution, the shareholders' general meeting shall not postpone the motions and shall vote on them. When considering a motion at the shareholders' general meeting, such motion shall not be amended; otherwise, the relevant amendment shall be treated as a new motion and shall not be voted at that shareholders' general meeting.

Article 69

Unless a poll is demanded by the following persons prior to or after a show of hands, at any shareholders' general meeting a resolution shall be decided by a show of hands:

- (1) chairman of the meeting;
- (2) at least two shareholders or proxies vested with voting rights'
- (3) a shareholder or shareholders (including proxy or proxies) who alone or in aggregate hold(s) 10 per cent or more of shares vested with voting rights at such meeting.

Unless a poll is demanded, the declaration by the chairman of the meeting as to the result of the voting on a resolution by a show of hands and the entering of the same into the minutes book of the meeting shall be the conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against such resolution.

The demand for a poll may be withdrawn by the person making such demand.

Article 70 If a poll is demanded for resolving the election of the chairman or the adjournment of the meeting, the same shall be taken immediately; in respect of a poll demanded for other matters, the time for such a poll shall be decided by the chairman of the meeting and other business may be proceeded with at the meeting. The result of such a poll shall still be deemed as a resolution passed at the meeting.

Article 71 The board of directors, independent non-executive directors and shareholders qualified under the relevant regulations may collect voting rights at the shareholders' general meetings from the shareholders of the Company. The voting rights shall be collected without compensation and full disclosure of information shall be made to the collectees.

Article 72 The Company may facilitate the shareholders participating in the shareholders' general meeting through all practicable manners and means including providing modern information technological means such as voting platform through internet, provided that the legality and effectiveness of the shareholders' general meeting are ensured. Shareholders are deemed to be present in the shareholders' general meetings through the aforesaid means.

The board of directors and other conveners shall take necessary measures to ensure the normal order of the shareholders' general meeting. For any disturbance to the meeting and acts infringing on the lawful interests of the shareholders, they shall take measures to restrain such disturbance and infringing acts, as well as timely report such to the relevant authorities so as to investigate and deal with the matter.

Article 73 On a poll taken at a meeting, shareholders (including their proxies) who are entitled to two votes or more are not required to cast all their votes in favour of or against a resolution.

Article 74 In the event of equality of votes, whether on a show of hands or on a poll, the chairman of the meeting shall be entitled to a second vote.

Article 75 The following matters shall be passed by ordinary resolution at a shareholders' general meeting:

- (1) the working reports of the board of directors and the supervisory committee;
- (2) plans for profit distribution and for making up of losses proposed by the board of directors;
- (3) appointment and removal of the members of the board of directors and the members of the supervisory committee and their remuneration and method of payment;
- (4) annual budget, statement of final accounts, balance sheet, profit and loss statement and other financial statements of the Company;
- (5) other matters other than those shall be passed by special resolution at a shareholders' general meeting as stipulated by laws, administrative regulations or

Article 76 The following matters shall be passed by special resolution at the shareholders' general meeting:

- (1) an increase or reduction of the share capital of the Company, or issue of any class of shares, warrants and other similar securities;
- (2) an issue of debentures by the Company;
- (3) the merger, division, dissolution and liquidation of the Company;
- (4) amendments to these Articles of Association;
- (5) other matters which are resolved by ordinary resolutions at shareholders' general meeting to be of material effect to the Company or are required by these Articles of Association to be passed by special resolutions.

Article 77 Shareholders who request to convene an extraordinary general meeting or a class shareholders' meeting shall follow the procedures below:

- (1) Shareholder(s) who hold(s) in aggregate 10 per cent or more of the shares vested with voting rights in such a meeting may sign one or several written requisitions in the same form requesting the board of directors to convene an extraordinary general meeting or a class shareholders' meeting, and the subject matter of the meeting shall be specified. Upon receipt of the said written requisitions, the board of directors shall convene an extraordinary general meeting or a class shareholders' meeting as soon as possible. The calculation of the number of shares held as aforesaid shall be made as at the date of the written requisitions.
- (2) If the board of directors fails to give notice of meeting within 30 days of the receipt of the aforesaid written requisitions, the shareholders making such requests may convene a meeting within four months of the receipt of the said requisitions by the board of directors. The procedure for convening the meeting shall, as far as possible, be the same as those for convening a shareholders' meeting by the board of directors.

All reasonable expenses incurred in convening and holding a meeting by the shareholders as a result of the failure of the board of directors to convene such meeting upon the aforesaid requisitions shall be borne by the Company and the same shall be deducted from outstanding payments due to the directors who are in fault of their duties.

The supervisory committee and the independent non-executive directors are entitled to either propose to the board of directors to convene the extraordinary shareholders' general meeting or convene the extraordinary shareholders' general meeting on their own in accordance with laws, administrative regulations and other relevant rules or requirements of these Articles of Association.

Article 78 A shareholders' general meeting shall be convened and presided by the chairman of the board of directors. If the chairman of the board of directors cannot attend the meeting, he

shall designate a director of the Company to convene and take the chair of the meeting; if no chairman of the meeting has been so designated, shareholders present shall choose one person to be chairman of the meeting. If for any reason the shareholders fail to elect a chairman, the shareholder (including proxy) attending the meeting and holding the largest number of shares vested with voting rights shall be the chairman of the meeting.

Article 79 The chairman of the meeting shall be responsible for determining whether a resolution of the shareholders' general meeting is passed or not and his determination shall be final and the same shall be announced at the meeting and entered into the minutes of the meeting.

When the shareholders' general meeting approves the motion in relation to the election of directors or supervisors, the terms of office of the newly elected directors or supervisors shall, for re-election upon expiration of the session of the board of directors or the supervisory committee, start from the next day after the day when the terms of office of the previous session of the board of directors or the supervisory committee expires; in other circumstances, start from the time when the shareholders' general meeting ends.

Article 80 In the event the chairman of the meeting has any doubt as to the result of voting on any resolution, he may have the votes counted. If the chairman of the meeting does not make a count of such votes but any shareholder or proxy present at the meeting disputes the result announced by the chairman of the meeting, such shareholder or proxy shall be entitled to request a count of the votes immediately after the declaration of the result has been made and the chairman of the meeting shall forthwith proceed with such a count.

Article 81 In the event a count of the votes has been made at a shareholders' general meeting, the result thereof shall be entered into the minutes of the meeting. The proceedings of the shareholders' general meeting shall be recorded in minutes which shall be signed by the directors attending the meeting. The minutes of the meeting together with the signature book of the shareholders attending the meeting and the proxy forms shall be kept at the registered address of the Company.

A shareholder shall be entitled to inspect copies of minutes of meeting(s) free of charge during office hours of the Company. Upon the request of any shareholder for a copy of the relevant minutes of meeting, the Company shall send out the copy of the minutes so requested within seven days of the receipt of the reasonable payment therefore.

Article 82 Where a resolution on a connected transaction is put to vote at the shareholders' general meeting, each shareholder involved in the connected transaction shall abstain from voting and the votes represented by such shareholders shall not be counted into the total number of effective voting shares. The voting of uninterested shareholders shall be disclosed fully in the notice of the resolutions of shareholders' general meeting. In the event the shareholder involved in the connected transaction cannot be abstained from voting due to unusual circumstances, the Company may continue the voting according to the usual procedures after obtaining the consent of the relevant authorities. A detailed statement thereof shall be provided in the notice of the resolutions of shareholders' general meeting.

Save and except the Company's commercial secrets which cannot be disclosed in the shareholders' general meeting, the Board of Directors and the Supervisory Committee

shall reply to the enquiries and proposals of the shareholders and make explanations.

Where any shareholder is, under the Listing Rules of the Hong Kong Stock Exchange, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

Chapter 9 Special Procedures for the Voting by Class Shareholders

Article 83 Shareholders holding different classes of shares shall be classified as class shareholders.

Class shareholders shall enjoy the rights and shall undertake the obligations pursuant to the provisions of laws, administrative regulations and these Articles of Association.

Article 84 If the Company proposes to vary or revoke the rights of the class shareholders, the same can only be implemented after it has been passed by a special resolution at a shareholders' general meeting and also by the class shareholders so affected at the shareholders' meetings respectively convened in accordance with Articles 88 to 92.

Article 85 The following situations shall be considered as a variation or abrogation of the rights of certain class shareholders:

- (1) to increase or reduce the number of shares of such class of shares or to increase or reduce the number of shares in a class of shares vested with equal or more rights on voting, distribution or other privileges;
- (2) to exchange all or part of the shares of such class, or to exchange or grant the rights to exchange of all or part of the shares of another class into the shares of such class;
- (3) to cancel or reduce the rights of that class of shares to receive dividends declared or accumulated;
- (4) to reduce or cancel the preferential rights to which that class of shares is entitled to in receiving dividends or in the distribution of assets upon the liquidation of the Company;
- (5) to increase, cancel or reduce the conversion rights, options rights, voting rights, rights of transfer, pre-emptive rights and rights to acquire the securities of the Company of such class of shares;
- (6) to cancel or reduce the rights of that class of shares in receiving the monies payable by the Company in a particular currency;
- (7) to establish a new class which enjoys equal or more rights on voting, distribution or other privileges than those enjoyed by that class of shares;
- (8) to restrict or increase the restriction on the transfer or ownership of that class of

shares;

- (9) to issue subscription rights or conversion rights in respect of that class or another class of shares;
- (10) to increase the rights and privileges of another class of shares;
- (11) a reorganisation scheme of the Company which would lead to a disproportionate assumption of obligations by different class shareholders;
- (12) to amend or abrogate the provisions in this Chapter.

Article 86 Whether the class shareholders so affected have voting rights at the shareholders' general meeting or not, they shall have the right to vote at the meeting of class shareholders on the matters provided for in paragraphs (2) to (8) and (11) to (12) of Article 85 of these Articles of Association provided that interested shareholders shall not have the right to vote at the meeting of class shareholders.

The definition of an interested shareholder referred to in the preceding paragraph shall be as follows:

- (1) in the event that the Company makes a repurchase offer to all shareholders in a proportionate manner in accordance with the provisions of Article 27 of these Articles of Association or repurchases its shares on a stock exchange through public dealing on a stock exchange, "interested shareholder" shall mean the controlling shareholder as defined in Article 52 of these Articles of Association;
- (2) in the event that the Company repurchases its shares through agreement other than through a stock exchange in accordance with the provisions of Article 27 of these Articles of Association, "interested shareholder" shall mean the shareholder related to such agreement;
- (3) in a reorganisation scheme of the Company, "interested shareholder" shall mean a shareholder who undertakes obligations to a lesser extent than other shareholders of the same class, or a shareholder who holds interests different from those held by other shareholders of the same class.

Article 87 A resolution of the meeting of class shareholders shall be passed in accordance with Article 86 by more than two-thirds of the shareholders present in the meeting who have rights to vote.

Article 88 If the Company convenes a meeting of class shareholders, it shall issue a written notice 45 days prior to the meeting to all shareholders of such class who are on the register of shareholders, specifying the business to be transacted and the date and place of the meeting. The shareholders who intend to attend the meeting shall serve on the Company written replies of their intention to attend 20 days prior to the meeting.

If the number of shares vested with voting rights at such meeting held by those shareholders who intend to attend such meeting shall reach more than one-half of the total number of shares vested with the voting rights at such meeting, the Company may

convene such meeting of class shareholders; if this cannot be attained, the Company shall further notify the shareholders by way of public notice within 5 days thereof specifying the business to be transacted and the date and place of the meeting. After giving notice by such public notice, the Company may convene the meeting of class shareholders.

Article 89 Notice of the meeting of class shareholders need only be served on the shareholders who are entitled to vote at such meeting.

The procedures of the meeting of class shareholders shall follow as much as possible the procedures of a shareholders' general meeting and the provisions in these Articles of Association relevant to the procedures of a shareholders' general meeting shall apply to the meeting of class shareholders.

Article 90 Apart from the shareholders of other classes of shares, the shareholders of domestic capital shares and shareholders of overseas listed foreign capital shares are deemed to be different classes of shareholders.

The special procedures for voting by class shareholders shall not apply in the following circumstances:

- (1) where the Company issues, upon approval by a special resolution at a shareholders' general meeting, domestic capital shares and overseas listed foreign capital shares either separately or concurrently at twelve month intervals, and the number of domestic capital shares and overseas listed foreign capital shares proposed to be issued does not exceed 20 per cent of the issued domestic capital shares and overseas listed foreign capital shares respectively;
- (2) where the Company's plan to issue domestic capital shares and overseas listed foreign capital shares at the time of incorporation is implemented within fifteen months from the date of approval by the securities supervisory and administrative authorities of the State Council.

Chapter 10 Board of Directors

Article 91 The Company shall establish a board of directors.

Article 92 (1) The Board of Directors shall comprise 12 directors with one chairman. One third of the members of the Board of Directors shall be independent non-executive directors.

(2) Directors need not hold any shares of the Company.

(3) The chairman of the board of directors shall be elected and removed by more than one-half of the directors. The term of office of the chairman is 3 years and he shall eligible for re-election and re-appointment.

Article 93 The directors shall be elected or replaced at the shareholders' general meeting and their term of office shall be three years. Upon the expiry of the term, a director shall be eligible

for re-election and re-appointment. The relevant notice to nominate the director in writing shall be lodged seven days before the shareholders' meeting and the candidate is allowed to issue a notice to the Company acknowledging his intention to be elected. The term of office of a director starts from the date when the director assumes his/her office and ends on the date when the current session of the board of directors expires. In circumstance where the terms of office of the directors have expired but no directors are re-elected on time, the original directors should continue to discharge their director's duties in accordance with the laws, administrative rules, departmental regulations and these Articles of Association until the newly elected directors assume their offices.

The election of the director shall adopt the accumulated voting system whereby, on election of the directors, the number of votes of each shareholder equals to the number of shares that he holds multiplies the number of directors he has the right to elect. Each shareholder may elect a director by using all the votes that he holds or may allocate his votes to all the candidates or elect two or more candidates by using all his votes. The candidate with more votes will be elected. The voting on the election of independent non-executive directors and non-independent directors shall be conducted separately.

Commencing on the second date after the dispatch of the notice of the meeting appointed for election of director(s), a shareholder is entitled to lodge a notice in writing to the Company to nominate directors, the period (during which the candidate is allowed to issue a notice to the Company acknowledging his intention to be elected) for lodgment of such notice shall be 7 days. In any event, the aforesaid period shall end seven days before the date of such meeting.

Article 94 Subject to compliance with the relevant laws and administrative regulations, any director with an unexpired term of office may be removed by an ordinary resolution of a shareholders' general meeting (but without prejudice to any claim for compensation pursuant to any contract) and the office vacated can be filled by a replacement director appointed by an ordinary resolution.

Article 95 The board of directors shall be accountable to the shareholders' general meeting and shall have the following duties and powers:

- (1) to be responsible for convening shareholders' general meeting and to report its work to the shareholders' general meeting;
- (2) to implement the resolutions passed at the shareholders' general meeting;
- (3) to determine the business plans and investment proposals of the Company;
- (4) to prepare the annual financial budget and final accounts of the Company;
- (5) to prepare the plans for profit distribution and recovering losses for the Company;
- (6) to prepare proposals for increasing or reducing the registered capital of the Company, proposals for the issue of debenture or other securities of the Company and proposals for listing;

- (7) to draw up proposal for material acquisition, repurchase of the Company's shares and merger, division or dissolution of the Company;
- (8) to decide on the set-up of the internal management structure of the Company;
- (9) to appoint or dismiss the president and secretary to the board of directors of the Company and to appoint or dismiss other senior managerial officers in accordance with the recommendations of the president and to determine their remuneration, reward and punishment matters;
- (10) to set up the basic management system of the Company;
- (11) to draw up proposal for amending these Articles of Association;
- (12) to manage the disclosure of information of the Company;
- (13) to propose to the shareholders' general meeting on the appointment or dismissal of accountancy firm for the audit of the Company's accounts;
- (14) to listen to the report of the president of the Company and monitor his/her work performance;
- (15) to determine the setting-up of ad hoc committees and to appoint and dismiss the relevant persons in charge;
- (16) to determine other material business and administrative affairs not required by these Articles of Association to be determined at the shareholders' general meeting;
- (17) subject to compliance with the requirements of relevant laws, regulations, rules and within the scope of authority delegated by shareholders in general meeting, to exercise the Company's powers to raise capital and to borrow money and to decide on the charging, letting, subcontracting or assignment of the Company's assets; and
- (18) to perform other functions as authorised by shareholders' general meeting and these Articles of Association.

Except the resolutions provided for in paragraphs (6), (7) and (11) which require more than two-thirds approval of the directors, the remaining resolutions on other matters as contained in the preceding paragraphs shall be passed by a simple majority of the directors.

The board of directors shall compose the Rules of Procedures for the Board of Directors so as to ensure that it will execute the resolutions passed in the shareholders' general meeting, enhance its work efficiency and ensure scientific decision-making.

Article 96

The board of directors shall not decide on the matters which are required to be approved by the general meeting under the laws and regulations, including but not limited to:

- (1) The board of directors shall not dispose or agree to dispose of any fixed assets of the Company without the prior approval of a general meeting if the aggregate of the expected consideration for the proposed disposition and the consideration for any disposal of fixed assets of the Company during a period of 4 months immediately preceding the proposed disposal, exceeds 33% of the fixed asset value as shown in the latest balance sheet reviewed by the general meeting.

For the purposes of this Article, the disposal of fixed assets shall include an act involving the transfer of certain interests in assets, but shall not include the provision of security against such fixed assets.

- (2) The validity of any transactions of the Company to dispose of fixed assets shall not be prejudiced by any violation of the first paragraph of this Article.
- (3) The Company shall not provide guarantees externally without the consent of two-third of the members of the board of directors. The following external guarantees provided by the Company shall be considered and approved by the shareholders' general meeting:
 - i. any guarantees after the total amount of external guarantees provided by the Company and its controlling subsidiaries reaches 50% or more of the latest audited net assets;
 - ii. any guarantees after the total amount of external guarantees of the Company reaches 30% or more of the latest audited total assets;
 - iii. guarantees provided to a guaranteed party whose debt-to-asset ratio exceeds 70%;
 - iv. a single guarantee which guaranteed amount exceeds 10% of the latest audited net assets;
 - v. guarantees provided to shareholders, persons in de facto control of the Company and their related parties.

Any guarantee provided by the Company shall be counter-guaranteed by the other party and such person shall have actual ability to pay for such counter-guarantee.

The board of directors should clarify its scope of powers on external investment, acquisition and disposal of assets, charging of assets, provision of external guarantees, entrusted financial management and connected transactions, and formulate stringent monitoring and decision-making procedures. Substantial investment proposals should be examined by relevant experts and professionals, and submitted to the shareholders' general meeting for approval.

Article 97

The chairman of the board of directors shall exercise the following functions and powers:

- (1) to preside over the shareholders' general meetings and to convene and chair the meetings of the board of directors;
- (2) to review the implementation of the resolutions of the board of directors;

- (3) to sign share certificates and debentures issued by the Company;
- (4) to sign material contracts and other documents of the Company, and to produce powers of attorney entrusting his representative to sign the documents as aforesaid;
- (5) other functions delegated by the board of directors.

If the chairman of the board of directors is unable to perform his duties, he may designate the vice-chairman to perform the duties on his behalf (in case there is no vice-chairman or the vice-chairman is unable to perform his duties, other director may be designated).

Article 98

The board of directors should hold meetings at least four times every year which shall be convened by the chairman of the board of directors and notice of meeting shall be given to all directors 14 days prior to the meeting. Extraordinary board meetings may be convened by serving notice to all the directors five days prior to the date of meeting of the board of directors.

Extraordinary board meetings may be convened under any of the following circumstances:

- (1) when it is deemed necessary by the Chairman;
- (2) proposed jointly by more than one-third of the total number of directors;
- (3) proposed by the Supervisory Committee;
- (4) proposed by the president;
- (5) proposed by more than one half of the total number of the independent non-executive directors;
- (6) proposed by shareholder(s) with over one-tenth of the voting rights.

Article 99

- (1) Where the time and venue for regular board meetings or extraordinary board meetings have been predetermined by the board of directors, no notice of the meeting shall be required.
- (2) If the time and venue for regular board meetings or extraordinary board meetings have not been predetermined by the board of directors, the chairman of the board of directors shall notify the directors of the time and venue for board meetings by way of telephone, cable, facsimile, express mail, registered post or courier in advance. The notice of a board meeting shall include the date and venue of the meeting, the duration of the meeting, agenda of the meeting and date of issue of the notice of the meeting.

The notice of a board meeting shall be deemed to have been given to a director if he attends the meeting without protesting against, before or at its commencement, any lack of notice.

The meeting of the board of directors may be held on a communication basis, including but not limited to through telephone, facsimile or other similar communication facilities. During the meeting held on a communication basis, so long as the directors participating in the meeting can clearly hear or understand the opinions of other directors and communicate with each other, all such directors shall be deemed to be present in person

at the meeting.

Article 100 Meetings of the Board of Directors shall only be held with more than one-half of the directors present at the meeting.

Each director shall have one vote. The resolutions of the Board of Directors shall only be passed with a simple majority of all the directors.

In the event of equality of votes in favour or against a resolution, the chairman of the Board of Directors shall have an additional vote.

Article 101 Meetings of the board of directors shall in principle be held at the registered address of the Company. However, meetings may be held in other places in or outside China upon the decision of the chairman of the board of directors.

Article 102 The expenses incurred by the directors in attending meetings of the board of directors shall be borne by the Company. These expenses shall include the expenses incurred by travelling from where the directors are located to the place of the meeting, catering and accommodation expenses during the meeting session, rental expenses of the meeting premises and local travelling expenses.

Article 103 Unless otherwise provided by the board of directors, the president not being a director may attend the meeting of the board of directors, and shall be entitled to receive notices and relevant documents of the meeting and to speak at the meeting. Unless the president is also concurrently a director, he has no right to vote at meetings of the board of directors.

Article 104 The board may adopt resolutions in writing to substitute for holding the board meeting, but the draft of such resolution must be sent by courier, mail or fax to each of the directors. If the relevant resolution in writing has been sent to all directors and the member of directors signed on the draft or several copies of the draft (in the same form) indicating his consent amounted to the necessary quorum for the relevant decision and the same being returned to the secretary of the board of directors in any of the above manners, such resolution shall become the resolution of the board and no board meeting is required to be held.

Upon the resolutions of the board of directors become effective, the Company shall notify all directors and dispatch a copy of the same to the Supervisory Committee.

The board of directors in considering the following matters, shall not be entitled to use the method of written resolutions instead of holding a meeting of the board of directors:

- (1) the increase or decrease of registered capital of the Company;
- (2) issue of debentures of the Company;
- (3) the division, merger, dissolution or winding up of the Company;
- (4) the amendment of the Articles of the Company;
- (5) the profit distribution plan and recovery of losses plan;

- (6) the appointment and removal of the members of the board of directors and determination of their remuneration;
- (7) change of the use of the proceeds raised in capital issue;
- (8) connected transactions that require public disclosure;
- (9) acquisition or disposal of assets that requires public disclosure;
- (10) the appointment or change of auditors and the determination of their remuneration;
- (11) other matters with material effects on the operations of the Company.

Article 105 Meetings of the Board of Directors shall be attended by the directors in person. If any director is unable to attend for whatever reason, he may appoint in writing other directors to attend the meeting of the Board of Directors on his behalf. The instrument of appointment shall specify the scope of the authorization.

The director attending such a meeting on another's behalf shall exercise the rights of a director within the scope of the authorization. If a director is not present at a certain meeting of the Board of Directors nor to appoint an alternate to attend on his behalf, he shall be deemed to have abstained his rights to vote at that meeting.

If the director neither attends the board meeting in person for two consecutive times nor appoints other directors to attend the board meeting, he shall be deemed to have failed to perform his duties. The Board of Directors shall propose dismissal of the director to the shareholders' general meeting.

Article 106 Directors, who are connected with the enterprises involved in the motions which are going to be resolved by the board of directors, should neither exercise their voting rights nor exercise voting rights on behalf of other directors on such resolutions. The quorum of such meeting of the board of directors shall be more than half of the unconnected directors attending the meeting. The resolutions should be passed with the consent from over half of the unconnected directors. Should the number of unconnected directors who attend the meeting of the board of directors is under 3, such resolutions shall be submitted to the shareholders' general meeting for approval.

Directors shall abstain from voting at the board meeting on any matter in which any of his associates (as defined in the Listing Rules of the Hong Kong Stock Exchange) has a material interest and are not to be counted towards the quorum of the relevant board meeting.

Article 107 The board of directors shall cause the decisions of the matters discussed at the meeting to be recorded on the minutes thereof. The directors present at the meeting and the person recording the minutes shall sign on such minutes. The directors are liable for the resolutions passed at the meeting of the board of directors. If a resolution of the board of directors contravenes the laws, administrative regulations or these Articles of Association causing the Company to sustain substantial losses, the directors involved in passing such

resolutions shall be liable to indemnify the Company provided that if a director can prove that he made an objection during the voting and the same has been entered into the minutes of the meeting, such director may be discharged from liability.

Article 108 One-third of the members of the board of directors of the Company shall be independent non-executive directors and at least one of them shall be a professional accountant. The independent non-executive directors shall act in good faith in the performance of their duties to protect the interests of the Company and in particular to prevent the lawful interests of the public shareholders from being infringed.

The independent non-executive directors shall perform their duties independently and shall not be influenced by the substantial shareholder or de facto controller of the Company or by the entities or individuals that have interest in the Company, the substantial shareholders or de facto controller of the Company.

Article 109 The board of directors or the supervisory committee of the Company or shareholders individually or collectively holding more than 1% of the issued share capital of the Company may nominate candidates for the position of independent non-executive directors that are to be elected at shareholders' general meeting.

Article 110 Material connected transactions of the Company (as defined by the relevant regulations of the China Securities Regulatory Commission) or appointment or removal of an accounting firm shall only be proposed for consideration by the board of directors if approved by more than half of the independent non-executive directors. With the consent by more than half of the independent non-executive directors, independent non-executive directors may request the board of directors to summon extraordinary general meeting or board of directors' meeting and may publicly collect votes from shareholders before convening of the shareholders' general meeting. Independent non-executive directors may independently engage an external auditing firm or consultancy firm for audit or consultation of a particular matter of the Company and the relevant expenses shall be borne by the Company.

Article 111 Independent non-executive directors shall attend board of directors' meeting as scheduled, understand the production and operation activities of the Company and take initiatives to investigate in and obtain information and materials necessary for making decisions. Independent non-executive directors shall submit an annual report in the name of all the independent non-executive directors at the annual general meeting of the Company, describing in detail the performance of their duties.

Article 112 The Company shall establish a working system for independent non-executive directors. The secretary to the board of directors shall actively assist the independent non-executive directors to perform their duties. The Company shall ensure the independent non-executive directors enjoy the access to information as other directors do, provide relevant information and materials to independent non-executive directors on a timely basis, report the operations of the Company to independent non-executive directors on a regular basis, and if necessary, organize site-visits for independent non-executive directors.

Article 113 The term of service for independent non-executive directors shall be the same as other directors of the Company and shall be re-elected upon expiry of the term, provided the

term of consecutive service shall not be more than 6 years. Independent non-executive directors shall not be removed without proper cause before the expiry of the term of service. In case of removal before the expiry of the term of service, the Company shall disclose the same as a specific disclosure event.

Article 114 Independent non-executive directors may resign before expiry of the term of service. Upon resignation, the independent non-executive director shall submit resignation report in writing to the board of directors, describing any matters relevant to his resignation that shall be brought to the attention of shareholders and creditors of the Company.

If resignation of independent non-executive directors renders the number of independent non-executive directors or members of the board of directors less than the minimum requirements under the laws or these Articles of Association, prior to the commencement of service by the replacement, independent non-executive directors shall perform their duties in accordance with laws, administrative regulations and these Articles of Association. The board of directors shall summon a shareholders' general meeting within 2 months for the replacement of independent non-executive directors. Shall a shareholders' general meeting not summoned within the stipulated period, independent non-executive directors may cease to perform their duties.

Chapter 11 Secretary to the Board of Directors of the Company

Article 115 The Company shall have a secretary of the board of directors. The secretary of the board of directors shall be a senior management of the Company who shall be responsible to the Company and the board of directors.

Article 116 The secretary to the Board of Directors of the Company shall be a natural person who shall have the necessary professional expertise and experience and shall be appointed by the Board of Directors. The principal duties of the secretary to the Board of Directors are as follows:

- (1) to ensure the Company has complete organization documents and records;
- (2) to ensure that the Company prepares and files documents and reports as required by authorities in accordance with laws;
- (3) to ensure that the register of shareholders of the Company is properly established and to ensure that persons entitled to receive such records and documents shall be provided with the relevant records and documents in time;
- (4) to organize shareholders' general meetings or board meetings in accordance with these Articles of Association and to prepare respective documents;
- (5) to submit and file relevant information and documents of the Company pursuant to applicable Hong Kong laws and regulations, the requirements of the listing rules of the Hong Kong Stock Exchange and the Hong Kong Securities and Futures Commission;

- (6) to disclose relevant information of the Company to the public pursuant to the requirements of the listing rules of the Hong Kong Stock Exchange and the Hong Kong Securities and Futures Commission;
- (7) to submit documents relating to the Company to the Companies Registry of Hong Kong;
- (8) to disclose the information of the Company and to ensure the punctuality, accuracy, legality, truthfulness and completeness of information so disclosed;
- (9) other duties as stipulated in the Articles of Association of the Company and the listing rules of the stock exchange on which the securities of the Company are listed.

The post of the secretary to the Board of Directors shall be assumed by one or two natural persons. In case where two persons are appointed jointly, the obligations of the secretary to the Board of Directors shall be assumed jointly by such two persons. However, in handling external matters as authorized by the Board of Directors, either one of them shall be entitled to exercise independently all powers of the secretary of the Board of Directors.

Article 117 Directors or other senior managerial officers (excluding the supervisors) of the Company may at the same time act as the secretary to the Board of Directors of the Company. An accountant of the accounting firm and solicitor of the solicitors' firm engaged by the Company shall not at the same time act as the secretary to the Board of Directors.

In the event that a director acts as the secretary to the Board of Directors and a certain act has to be performed separately by a director and the secretary to the Board of Directors, such person who is at the same time the director and the secretary to the Board of Directors shall not perform such act in both capacities.

Chapter 12 The Company's President

Article 118 The Company shall have one president appointed or dismissed by the board of directors whose term of office shall be 3 years, eligible for re-election and re-appointment.

Except the position of presidents there shall be a few other senior management. Directors may be appointed as presidents, or other senior managerial officers provided that the number of directors appointed as presidents or other senior managerial officers shall not exceed half of the total number of directors.

Any person who undertakes any position other than a director in the controlling shareholder(s) or the de facto controller(s) of the Company shall not act as the senior management of the Company.

Article 119 The president of the Company shall be accountable to the board of directors and shall perform the following functions:

- (1) to be in charge of the production and business operation of the Company and to organize the implementation of the resolutions of the board of directors;
- (2) to organise the implementation of the annual business plan and investment program of the Company;
- (3) to prepare proposals for the establishment of internal management bodies of the Company;
- (4) to prepare the basic management systems of the Company;
- (5) to formulate basic rules and regulations of the Company;
- (6) to propose for the appointment or dismissal of vice presidents and the officers in charge of financial matters of the Company;
- (7) to appoint or dismiss principal management staff other than those to be appointed or dismissed by the board of directors;
- (8) to decide upon the reward, promotion and demotion, increase and reduction of salary, appointment, employment, removal and dismissal of staff and workers of the Company (other than those shall be decided by the board of directors pursuant to the laws);
- (9) other functions designated by these Articles of Association and the board of directors.

The president shall formulate working rules and regulations of the president and implement such rules and regulations upon approval of the board of directors. Such rules and regulations shall include: (1) conditions for, procedures of and participants of the president's meeting; (2) the respective and specific duties of the president and other senior managerial officers as well as their division of labour; (3) the limits of authority in utilizing the capital and assets of the Company and executing material contracts, and the reporting system to the board of directors and the supervisory committee; (4) other matters deemed necessary by the board of directors.

Article 120 The president may attend the meetings of the board of directors, but the president, not being a director, shall not have the right to vote in the meetings of the board of directors.

Article 121 In performing his functions and powers, the president shall not alter the resolutions of the shareholders' general meeting or those of the board of directors or exceed the scope of his authority.

Article 122 In performing his functions and powers, the president of the Company shall perform faithfully and diligently the obligations pursuant to the provisions of laws, administrative regulations and these Articles of Association.

Chapter 13 Supervisory Committee

- Article 123 The Company shall establish a supervisory committee.
- Article 124 (1) The supervisory committee shall be formed by 3 persons where one of them shall act as the chairman of the supervisory committee. The term of office of the supervisor shall be 3 years, eligible for re-election and re-appointment. If supervisors are not re-elected on time upon the expiry of their terms of office or supervisors resign during their terms of office resulting that the number of supervisors is less than the statutorily required number of supervisors, then the current supervisors shall continue to perform duties according to the law, administrative regulations and these Articles of Association prior to the assumption of office(s) by the newly elected supervisor(s).
- (2) The appointment or removal of the chairman of the supervisory committee shall only be made by a resolution passed by two-thirds or more of the members of the supervisory committee.
- Article 125 The supervisory committee shall be formed by 2 representatives of the shareholders and 1 representative of the staff and workers of the Company. The representatives of the shareholders shall be elected and removed in the shareholders' general meeting; whereas the representative of the staff and workers shall be democratically elected and removed by the staff and workers of the Company.
- Article 126 The Company's directors, the president and other senior managerial officer shall not at the same time act as supervisors.
- Article 127 The Supervisory Committee shall convene at least 2 meetings every year and the same shall be convened by the chairman of the Supervisory Committee. The supervisors may propose to convene extraordinary meetings of the supervisory committee.
- The notice of a meeting of the supervisory committee shall include date and venue of the meeting, duration of the meeting, and agenda of the meeting and date of issue of the notice of the meeting.
- The supervisory committee shall prepare the minutes of meeting regarding the decision made on the matters considered thereat and the attending supervisors shall sign on the minutes of meeting.
- If the supervisor is unable to attend in person for the Supervisory Committee meetings for two consecutive times, he shall be deemed to have failed to perform his duties and shall be dismissed and replaced by the shareholders' general meeting and the worker representatives' meeting.
- Article 128 The supervisory committee shall be accountable to the shareholders' general meeting and shall carry out the following duties and powers in accordance with laws:
- (1) to inspect the finances of the Company;
- (2) to supervise the acts of the directors, president and other senior managerial officers of the Company who have contravened the laws, administrative regulations or these Articles of Association in carrying out their duties of the

Company and propose to dismiss directors and senior management who breach laws, administrative regulations, these Articles of Association or resolutions of the shareholders' general meetings;

- (3) to request the directors, president and other senior managerial officers of the Company to rectify their acts which have prejudiced the interests of the Company;
- (4) to review and advise in written form the periodical reports prepared by the board of directors; review the financial information such as financial reports, business reports and profit distribution proposal to be submitted by the board of directors to the shareholders' general meeting; if any queries arise, the supervisors may, in the name of the Company, require a re-examination by the registered accountants and the certified public auditors; inquire where there is anything unusual is found; and instruct professional bodies to assist when necessary;
- (5) to propose the convening of a shareholders' extraordinary meeting or to propose motions to the shareholders' general meetings;
- (6) to represent the Company in negotiating with or in instituting legal proceedings against the directors;
- (7) other functions and powers provided in these Articles of Association.

The Supervisors have the right to observe meetings of the board of directors, to make inquiry or suggestions to the resolutions of the board of directors.

The supervisory committee shall formulate the Rules of Procedures for the Supervisory Committee to clarify the ways of reaching resolutions and voting procedures of the meetings of the supervisory committee so as to ensure the work efficiency and scientific decision-making of the supervisory committee.

Article 129 A resolution of the supervisory committee shall be passed by two-thirds or more of the members of the supervisory committee.

Article 130 The reasonable expenses of the supervisory committee incurred in engaging professionals such as lawyers, registered accountants and certified public auditors in the course of carrying out the duties of the supervisory committee shall be borne by the Company.

Article 131 The supervisors shall faithfully perform their supervisory responsibilities in accordance with the provisions of laws, administrative regulations and these Articles of Association.

Chapter 14 Qualifications and Obligations of the Directors, Supervisors, General Manager and Other Senior Managerial Officers of the Company

Article 132 The occurrence of any one of the following events shall disqualify a person from being a director, supervisor, president or other senior managerial officers of the Company:

- (1) lacking capacity in taking civil action or such capacity being restricted;
- (2) being convicted of committing corruption, bribery, misappropriation or embezzlement of properties or violating social and economic order, and not more than 5 years have elapsed since the expiration of the enforcement of the punishment; or being deprived of political rights due to conviction and not more than 5 years have elapsed since the expiration of the enforcement period;
- (3) being a director or factory manager, manager of a company or enterprise being liquidated as a result of improper operation and management of which he shall be personally liable for such liquidation and not more than three years have elapsed since the date of completion of the liquidation of such company or enterprise;
- (4) being the legal representative of a company or enterprise of which the business licence has been cancelled as a result of the contravention of the laws and in which he shall be personally liable and not more than three years have elapsed since the date of cancellation of the business licence of such company or enterprise;
- (5) having relatively large amount of personal indebtedness which has become due but have not yet been settled;
- (6) being under investigation by the judicial authorities in respect of contravention of criminal laws, and such investigation has not yet been finalised;
- (7) being prohibited by laws or administrative regulations to act as leader of an enterprise;
- (8) not being a natural person;
- (9) being convicted by the relevant supervisory authorities of contravention of the provisions of relevant securities regulations which involved fraud or dishonest acts and not more than five years have lapsed since the date of such conviction.

Any election, appointment or hiring of directors, supervisors, the president or other senior managerial officers that is in breach of this Article will be void. Any directors, supervisors, the president or other senior managerial officers who fall within one of the above categories during their terms of service shall be removed by the Company.

Article 133 The validity of an act undertaken by a director, president and other senior managerial officer of the Company acting on behalf of the Company towards a bona fide third party shall not be affected by the irregularities in the appointment, election or qualification of such person.

Article 134 In addition to the obligations required by laws, administrative regulations or the listing rules of any stock exchange on which the shares of the Company are listed, a director, supervisor, president and other senior managerial officer of the Company shall also be responsible to each shareholder in respect of the following obligations in performing the duties and exercising the powers given to him by the Company;

- (1) not to cause the Company to exceed the scope of business stipulated in its business licence;
- (2) to act faithfully in the best interests of the Company;
- (3) not to deprive by any means the Company of its assets, including (but not limited to) opportunities beneficial to the Company;
- (4) not to deprive the personal interests of the shareholders including (but not limited to) the rights to distribution and voting rights but excluding corporate reorganization schemes submitted to and passed at a shareholders' general meeting in accordance with these Articles of Association.

Article 135 In exercising his rights or performing his obligations, the director, supervisor, president and other senior managerial officer of the Company shall have the responsibility to exercise the prudence, diligence and skill of a reasonable and prudent person acting under similar circumstances.

Article 136 In performing his duties, a director, supervisor, president and other senior managerial officer of the Company shall observe the fiduciary principle and shall not put himself in a position where his personal interests and the obligations undertaken may conflict. Such principle shall include (but not limited to) the undertaking of the following obligations:

- (1) to act honestly in the best interests of the Company;
- (2) to exercise powers within, and not to exceed the scope of, his authority;
- (3) to exercise the discretionary power vested in him personally and not to be manipulated by others; no discretionary powers shall be transferred to other persons without the permission of laws or administrative regulations or the informed consent of the shareholders' general meeting;
- (4) to treat the shareholders of the same class equally and to be fair to the shareholders of different classes;
- (5) unless otherwise provided in these Articles of Association or with the approval granted with the informed consent of the shareholders' general meeting, no contract, transaction or arrangement shall be entered into with the Company;
- (6) no property of the Company shall be used in any manner for private benefit without the informed consent of the shareholders' general meeting;
- (7) not to use his authority to accept bribes or other unlawful income and not to deprive the Company in any manner of its property, including (but not limited to) opportunities beneficial to the Company;
- (8) not to accept commission in connection with the transactions of the Company without the informed consent of the shareholders' general meeting;
- (9) to observe these Articles of Association, to perform his duties faithfully, to protect

the interests of the Company, and not to obtain personal benefits by using his position and authority in the Company;

- (10) not to compete in any way with the Company without the informed consent of the shareholders' general meeting;
- (11) not to embezzle the funds of the Company or to lend the funds of the Company to others; not to deposit the assets of the Company in accounts opened under his own name or the name of other persons; not to use the assets of the Company as security for the liabilities of the shareholders of the Company or other personal liabilities;
- (12) unless otherwise permitted by informed consent of the shareholders' general meeting, no confidential information of the Company acquired during his term of office shall be disclosed; unless the objective is serving the interests of the Company, no such information shall be used; however, such information may be disclosed to a court of law or other governmental supervisory authorities under the following situations:
 - (a) disclosure is provided under the law;
 - (b) disclosure is required in the public interest;
 - (c) disclosure is required in the interests of such director, supervisor, president and other senior managerial officers.

Article 137

A director, supervisor, president and other senior managerial officers of the Company shall not instruct the following persons or bodies ("related persons") to do such acts which such director, supervisor, president and other senior managerial officers are prohibited from doing:

- (1) the spouse or minor children of a director, supervisor, president and other senior managerial officers of the Company;
- (2) the trustee of a director, supervisor, president and other senior managerial officers of the Company or of the persons mentioned in paragraph (1) of this Article;
- (3) the partner of a director, supervisor, president and other senior managerial officers of the Company or of the persons mentioned in paragraphs (1) and (2) of this Article;
- (4) companies actually and solely controlled by a director, supervisor, president, and other senior managerial officers of the Company, or companies actually and jointly controlled with the persons referred to in paragraphs (1), (2) and (3) of this Article or other directors, supervisors, president, vice president and other senior managerial officers of the Company;
- (5) the director, supervisor, president and other senior managerial officers of a company being controlled as mentioned in paragraph (4) of this Article.

Article 138 Director, supervisor and president of the Company may resign prior to expiry of his term of office.

The president shall resign according to his employment contract of the Company.

The directors (including independent non-executive directors) shall not be removed before expiry of their term without a cause, except being prohibited to be qualified as directors under the Company Law and China Securities Regulatory Commission.

In the event that a director's resignation results in the number of directors being less than the quorum, the resignation report of such director shall become effective only when the vacancy arising from his resignation has been filled by a new director.

The board of directors consisting of the remaining directors shall convene an extraordinary shareholders' meeting as soon as possible to elect a director to fill the vacancy arising from the resignation of such director. The power of the resigning director and the board of directors consisting of the remaining directors shall be subject to due restrictions until the shareholders' general meeting has made a resolution in respect of the re-election of the director.

The relevant provisions to the resignation of directors are applicable to the resignation of supervisors.

Directors shall duly complete the handover procedures with the board of directors when their resignation takes effect or their terms expire. The fiduciary duties of a director, supervisor, president and other senior managerial officers of the Company do not necessarily cease upon the expiry of his term of office. The obligations to keep the commercial secrets of the Company confidential shall survive the expiry of his term of office. The continuance of the other obligations shall be determined on a fair basis depending on the length of the time between its occurrence and his departure from office and the circumstances and conditions under which the relation with the Company was terminated.

Article 139 The liability of a director, supervisor, president and other senior managerial officers of the Company in respect of the breach of certain substantive obligations may be discharged with full disclosure in the shareholders' general meeting except for the circumstances provided in Article 50 of these Articles of Association.

Without the legal authorization of these Articles of Association or the board of directors, no directors shall be allowed to act on behalf of the Company or the board of directors in their personal capacities. If any third parties reasonably believe that a director who is acting in his personal capacity is acting on behalf of the Company or the board of directors, then the director should clarify his position and capacity in advance.

Article 140 In the event that a director, supervisor, president and other senior managerial officer of the Company are interested materially, directly or indirectly, in a contract, transaction or arrangement made or contemplated to be made with the Company (except for the service contract of the director, supervisor, president and other senior managerial officers with the Company), he shall disclose to the board of directors as soon as possible the nature and extent of his interest regardless of whether the relevant matter needs to be approved or

consented to by the board of directors in normal circumstances.

Unless the director, supervisor, president and other senior managerial officers of the Company so interested have made a disclosure of such interest to the board of directors as required in the preceding paragraph of this Article and the board of directors has approved the same in a meeting in which he has not been counted in the quorum nor has he voted at the meeting which approved such matter, the Company shall have the right to revoke such contract, transaction or arrangement unless the other party is a bona fide party without knowledge of the breach of the obligations of such director, supervisor, president and other senior managerial officers.

If the related persons of a director, supervisor, president and other senior managerial officers of the Company are interested in certain contracts, transactions or arrangements, such director, supervisor, president and other senior managerial officers shall also be deemed as interested in the same.

In the event that a director, supervisor, president or other senior managerial officer of the Company notifies the board of directors in writing and makes a representation that on the basis of contents of the notice, he will be interested in the contract, transaction or arrangement to be entered into by the Company before the Company firstly considers the relevant contract, transaction or arrangement, the relevant director, supervisor, president or other senior managerial officer shall be deemed to have made a disclosure as required in the previous paragraphs.

Article 141 The Company shall not in any manner pay tax on behalf of any of its directors, supervisors, president and other senior managerial officers.

Article 142 No loans or guarantees for loans shall be provided, directly or indirectly, by the Company to a director, supervisor, president and other senior managerial officers of the Company and those of its parent company, nor shall such loans or guarantee for loans be provided to the related persons of the above-mentioned persons.

The provisions as aforesaid shall not apply to the following situations:

- (1) the Company provides loans or guarantee for loans to its subsidiaries;
- (2) the Company provides to a director, supervisor, president and other senior managerial officers of the Company, pursuant to the employment contract approved in the shareholders' general meeting, loans or guarantees for loans or other payments to enable them to pay the expenses incurred for the purpose of the Company or in the course of performing their duties;
- (3) if the normal scope of business of the Company includes the provision of loans and guarantees for loans, the Company may provide loans or guarantees for loans to the relevant director, supervisor, president and other senior managerial officers and their related persons provided that the terms of such loans or guarantees for loans shall be on normal commercial terms.

Article 143 If the provision of a loan made by the Company is in breach of the provisions of the preceding Article, the recipient of the sum of money shall repay the same forthwith

regardless the terms of such loan.

Article 144 Guarantees for loans provided by the Company in contravention of the provisions of paragraph 1 of Article 133 of these Articles of Association shall be unenforceable against the Company except under the following situations:

- (1) in providing loans to the related persons of a director, supervisor, president and other senior managerial officers of the Company or those of its parent company, the person who has provided the loan has no knowledge of the contravention;
- (2) the security provided by the Company has been sold legally by the person who has provided the loan to a bona fide purchaser.

Article 145 The guarantee referred to in the preceding Article shall include the assumption of obligations by the guarantor or the provision of property to secure the performance of obligations by the obligor.

Article 146 In the event that a director, supervisor, president and any other senior managerial officers of the Company shall be in breach of his obligations to the Company, the Company shall be entitled to take the following measures apart from the various rights and remedies provided by laws and administrative regulations;

- (1) to demand the relevant director, supervisor, president and other senior managerial officer indemnify the losses sustained by the Company as a result of the dereliction of duties on his part;
- (2) to revoke any contract or transaction made between the Company and the relevant director, supervisor, president and other senior managerial officers and a contract or transaction made between the Company and a third party (if such third party knows or should have known that the director, supervisor, president and other senior managerial officers representing the Company are in breach of the obligations to the Company);
- (3) to demand the relevant director, supervisor, president and other senior managerial officers to return the benefit received as a result of the breach of the obligations;
- (4) to recover from the relevant director, supervisor, president and other senior managerial officers the moneys including (but not limited to) commission accepted by them which should have been received by the Company;
- (5) to demand the relevant director, supervisor, president and other senior managerial officers to return the interest earned or that may be earned from the moneys which should have been payable to the Company.

Article 147 The Company shall enter into a contract in writing with directors and supervisors of the Company in respect of remuneration, the terms of which shall have obtained the prior approval at a shareholders' general meeting. The terms of the remuneration matters as aforesaid shall include:

- (1) the remuneration for acting as a director, supervisor or other senior managerial officer of the Company;
- (2) the remuneration for acting as a director, supervisor or other senior managerial officer of a subsidiary of the Company;
- (3) the remuneration for provision of other services in the management of the Company and its subsidiaries;
- (4) the payment for compensation for loss of office or retirement of such directors or supervisors.

Except pursuant to the contract aforesaid, no legal proceedings shall be instituted by a director or supervisor in respect of benefits receivable by him in respect of the aforesaid matters.

Article 148 There shall be a provision in the contract in relation to remuneration made between the Company and a director or supervisor of the Company that the director or the supervisor of the Company shall be entitled to the compensation or other payments as a result of loss of office or retirement when the Company is to be taken over, provided that prior approval shall have been obtained at a shareholders' general meeting. A takeover of the Company referred to above shall mean one of the following situations:

- (1) a takeover offer to all shareholders has been made by any person;
- (2) a takeover offer has been made by any person to enable the offer or to become the controlling shareholder. The meaning of "controlling shareholder" is the same as that defined in Article 51 of these Articles of Association.

In the event that the relevant director or supervisor does not comply with the provisions of this Article, any moneys received by him shall belong to the persons who accept the said offer to sell their shares; the expenses incurred as a result of proportional distribution of such moneys shall be borne by such director or supervisor and such expenses shall not be deducted from such moneys.

Chapter 15 Financial Accounting System and Distribution of Profits

Article 149 The Company shall set up the financial accounting system of the Company in accordance with laws, administrative regulations and the provisions of the PRC accounting standards formulated by the financial supervisory authorities under the State Council.

Article 150 The Company shall prepare a financial report at the end of each accounting year and the same shall be audited in accordance with law.

The accounting year of the Company shall adopt the Gregorian calendar year system, i.e. from 1 January to 31 December on the Gregorian calendar. The Company shall adopt Renminbi as its bookkeeping base currency.

- Article 151 The financial report prepared by the Company in accordance with the relevant laws, administrative regulations and regulatory documents issued by local government or supervisory authorities shall be submitted by the board of directors of the Company to the shareholders at each annual general meeting.
- Article 152 The Company's financial statements shall be made available at the Company's domicile twenty (20) days before the date of every shareholders' annual general meeting for shareholders' inspection. Each shareholder shall be entitled to obtain a copy of the financial statements referred to in this chapter.
- In respect of overseas-listed foreign shareholders, the Company shall at least deliver or send to each shareholder by prepaid mail the aforesaid financial statements not later than twenty-one (21) days before the date of every annual general meeting of shareholders. The address of the addressee shall be those as recorded in the register of shareholders. In respect of domestic shareholders, the Company shall place the aforesaid documents in their designated website(s) for inspection by domestic shareholders within the period required by the regulations of the China Securities Regulatory Commission and the Shanghai Stock Exchange.
- Article 153 The financial report of the Company shall be prepared in accordance with PRC accounting standards and legal regulations, and shall also be prepared in accordance with international accounting standards or the accounting standards of the place of overseas listing. If there are any material discrepancies in the financial report prepared in accordance with the two sets of accounting standards, such discrepancies shall be expressly stated in the notes to the financial report. For the purpose of the distribution of profits of the Company for the relevant accounting year, the lesser amount of profit after taxation stated in the said two financial report shall prevail.
- Article 154 Interim results or financial information published or disclosed by the Company shall be prepared in accordance with PRC accounting standards and legal regulations as well as international or Hong Kong accounting standards.
- Article 155 The Company shall announce two financial reports in each accounting year. The interim report shall be announced within 60 days after the first six months of an accounting year and the annual financial report shall be announced within 120 days after the end of the accounting year.
- Article 156 No books of account other than those provided under the law may be established by the Company.
- Article 157 When the Company has completed its interim financial report and annual financial report, the Company shall comply with the procedures and make announcement according to the relevant PRC securities laws and regulations, and the provisions of any stock exchange where the shares may be listed.
- Article 158 The profit of the Company shall be distributed in the following order of priority after payment of relevant taxes:
- (1) recovery of losses;
 - (2) allocation to the statutory common reserve fund;

- (3) allocation to the discretionary common reserve fund;
- (4) payment of dividends on ordinary shares.

No profit shall be distributed in respect of the shares held by the Company.

The particular proportion of distribution in each year in respect of paragraphs (3) and (4) of this Article shall be proposed by the board of directors in accordance with the operational condition and development requirements of the Company and shall be discussed and approved by the shareholders' general meeting.

The Company's common reserve fund shall be divided into surplus reserve fund and capital reserve fund. The surplus reserve fund shall be divided into statutory common reserve fund and discretionary common reserve fund.

Article 159 If the shareholders' general meeting violates the previous Article and distributes profit before making up loss of the Company and making provisions for the statutory common reserve fund, shareholders shall return to the Company the amount of profit distributed which is in violation of the provisions of the previous Article.

Article 160 The Company shall allocate 10 per cent of the profit after taxation to the statutory common reserve fund. It needs not allocate further amount if the accumulated amount of the statutory common reserve fund has reached 50 per cent of registered capital.

Article 161 Allocation to the discretionary common reserve fund shall be made separately from the profit of the Company after the allocation to statutory common reserve fund is made, in accordance with the resolution of the shareholders' general meeting.

Article 162 The after-tax profit subsequent to making up loss of the Company and making provisions for the common reserve fund may be distributed to shareholders ratably in accordance with their shareholdings, except for the non-pro rata distributions as required by these Articles of Association.

Article 163 The capital reserve fund shall include the following sums of money:

- (1) premium received in excess of the par value of the shares issued;
- (2) other revenue required to be transferred to capital reserve fund by the financial supervisory authorities under the State Council.

Article 164 The common reserve fund of the Company shall be used only for the following purposes:

- (1) recovery of losses (the capital reserve fund shall not be used to make up the loss of the Company);
- (2) expansion of the production and operation of the Company; or
- (3) conversion into additional share capital. Pursuant to resolution passed at shareholders' general meeting, the Company may convert the statutory common reserve fund into share capital, and issue new shares to shareholders pro rata to their existing shareholdings or increase the par value of the shares. However,

when the statutory common reserve fund is converted into share capital, the amount remaining in such common reserve fund shall not be less than 25 per cent of the registered capital of the Company.

Article 165 Dividends may be distributed in the following ways:

- (1) cash;
- (2) shares.

In the event there is a distributable profit available to shareholders, the Company shall implement a proactive cash dividend policy with an emphasis on shareholders' investment return while taking into account the principle of reasonable funding requirements for the Company's operations. The continuity and stability of the profit distribution policy shall be maintained. The profit distributed by cash by the Company for three consecutive years in aggregate shall not be less than 30% of the distributable profit for the three years. The Company may distribute interim cash dividend.

Article 166 When distributing dividends, the Company shall withhold on behalf of the shareholders the tax payable on dividend income in accordance with PRC tax law.

The dividends in cash and other distributions for the domestic capital shares shall be paid in Renminbi. The dividends in cash and other distributions for H shares shall be announced in Renminbi and shall be paid in Hong Kong dollars in accordance with the relevant provisions on foreign exchange management.

Article 167 The board of directors may decide on its proposal to distribute interim or special dividends of the Company as authorised by the shareholders' general meeting.

Article 168 The Company shall implement its internal audit system with professional auditors to carry out internal audit supervision to the financial and economic activities of the Company.

The system of the internal audit and the duties of such auditors shall be implemented after the approval of the Board of Directors. The responsible auditor shall be responsible and report to the Board of Directors.

Article 169 The Company shall appoint receiving agents on behalf of the shareholders of overseas listed foreign capital shares. Receiving agents shall receive on behalf of the relevant shareholders dividends distributed and other monies payable by the Company in respect of overseas listed foreign capital shares.

The receiving agent appointed by the Company shall meet the relevant requirements provided by the laws of the place or of the stock exchange where the shares may be listed.

The receiving agent which the Company appoints for the holders of overseas listed foreign capital shares listed on the Hong Kong Stock Exchange shall be a trust company registered in accordance with the Trustee Ordinance of Hong Kong.

Chapter 16 Appointment of Accounting Firm

Article 170 The Company shall appoint an independent accounting firm which shall meet the relevant requirements of the State to audit the annual financial report and to review other financial reports of the Company.

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

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

Article 171 The accounting firm appointed by the Company shall hold office from the conclusion of that shareholders' general meeting to the conclusion of the next shareholders' general meeting.

Article 172 The accounting firm appointed by the Company shall enjoy the following rights:

- (1) to inspect the books and account, records or evidence of the Company at any time and has the right to require directors, presidents or other senior managerial officers of the Company to provide the relevant information and explanation;
- (2) to require the Company to adopt all reasonable measures to obtain from its subsidiaries information and explanation which are requisite for such accounting firm to carry out its duties;
- (3) to attend meetings of shareholders and receive notice of meeting and other information related to such meeting which any shareholder is entitled to receive and speak at any meeting of shareholders about the matters related to its being the accounting firm of the Company.

The Company guarantees that the accounting evidence, accounting books, financial report and other accounting information provided to the accounting firm engaged are true and complete without refusal, withholding or false information.

Article 173 If the office of the accounting firm becomes vacant, the board of directors shall have the right to appoint an accounting firm to fill such vacancy prior to the convening of the shareholders' general meeting. However, in case there is another accounting firm in office for the Company during the continuance of the vacancy, such accounting firm may perform the duties.

Article 174 Any accounting firm can be dismissed prior to the expiry of its term of office by ordinary resolution passed in a shareholders' general meeting regardless of the provisions of the terms of the contract entered into by the accounting firm and the Company. If the relevant accounting firm is entitled to claim compensation against the Company due to the dismissal, such right shall not be affected.

Article 175 The remuneration or the manner to determine the remuneration of the accounting firm shall be decided at the shareholders' general meeting. The remuneration of the accounting firm appointed by the board of directors shall be determined by the board of directors.

Article 176 The decisions of the Company to appoint, dismiss or not to re-appoint an accounting firm shall be made at the shareholders' general meeting and shall be filed with the securities supervisory authorities under the State Council.

Where a resolution is proposed to be passed at a shareholders' general meeting to appoint a firm other than an incumbent accounting firm to fill any vacant office of accounting firm, or to re-appoint an accounting firm who has been appointed by the board of directors to fill a vacancy, or to dismiss an accounting firm before the expiration of its term of office, the following requirements shall be met:-

- (1) The relevant motion shall be sent to the accounting firm proposed to be appointed or the accounting firm which intends to vacate its office or the accounting firm who has vacated from its office in the relevant accounting year, before the notice of meeting of the shareholders' general meeting is issued to the shareholders. Vacating the office shall include leaving by removal, resignation or retirement.
- (2) If the accounting firm which is vacating its office makes a statement in writing and requests the Company to notify the shareholders of that statement, the Company shall, unless the written statement is received too late, take the following measures:-
 - (a) to state in the notice given in respect of the resolution, the fact that the accounting firm which is vacating the office has made a statement;
 - (b) to send a copy of the statement to shareholders who are entitled to receive notice of shareholders' meeting.
- (3) If the statement of the relevant accounting firm has not been sent in accordance with paragraph (2) of this Article, such accounting firm may request the representation be read at the meeting of shareholders and may make further complaint.
- (4) An accounting firm which is vacating its office shall be entitled to attend the following meetings:-
 - (a) the shareholders' general meeting at which its term of office will expire;
 - (b) the shareholders' general meeting at which it is proposed to fill the vacancy caused by its removal; and
 - (c) the shareholders' general meeting convened due to its resignation;

The accounting firm vacating its office shall be entitled to receive all notices or other relevant information of the said meetings, and speak at the said meetings in respect of

the affairs in which it is involved as a former accounting firm of the Company.

- Article 177
- (1) When the Company dismisses or does not re-appoint an accounting firm, it shall give advance notice to the accounting firm. The accounting firm shall have the right to present its views at the shareholders' general meeting. Where the accounting firm resigns, it shall state in the shareholders' general meeting as to whether or not there are irregularities in the Company.
 - (2) An accounting firm may resign by leaving a written notice of resignation at the legal address of the Company. The notice shall be effective on the date when the notice is left at the registered address of the Company or a later date specified in the notice. Such notice shall contain the following statements:
 - (a) a declaration to the effect that there are no circumstances connected with its resignation which it considers should be accounted for to the shareholders or creditors of the Company; or
 - (b) a statement of any circumstances which should be accounted for.
 - (3) When the Company receives the notice referred to in paragraph (2) of this Article, it shall within 14 days send a copy of the notice to the supervisory authorities. If the notice contains the statement mentioned in paragraph (2)(b) of this Article, a copy of the notice shall be kept by the Company at the registered address of the Company for the inspection by the shareholders. The Company shall also post a copy of the aforesaid representation to each shareholder of overseas listed foreign shares by prepaid post. The address of the recipient shall be the one recorded in the register of shareholders.
 - (4) When the notice of resignation of the accounting firm contains a statement that has to be accounted for, the accounting firm may request the board of directors to convene an extraordinary shareholders' meeting for the purpose of hearing the explanation of the circumstances connected with its resignation.
 - (5) In these Articles of Association, "accounting firm" shall have the same meaning as "auditor".

Chapter 17 Labour Management

Article 178 The Company shall establish such systems of labour management, personnel management, wages welfare and social insurance according to the laws, legal regulations and the relevant administrative regulations of the PRC.

Article 179 The Company shall operate an appointment system with each level of management staff, and a contract system with the general staff of the Company. The Company may of its own accord decide on the allocation of staff, and shall have the right to recruit of its own accord and dismiss management staff and general staff in accordance with the provisions of legal regulations and contract.

Article 180 The Company shall have the right to determine the salary and welfare benefits of each level of management staff and each type of staff of the Company according to its own economic efficiency, and within the scope provided by the relevant administrative regulations.

Article 181 The Company shall arrange for medical insurance, retirement insurance and unemployment insurance for the management and staff of the Company in accordance with the relevant administrative regulations of the PRC government and local government, and implement the provisions relating to labour insurance of retired and job-waiting employees according to relevant laws and regulations.

Chapter 18 Organization of Trade Union

Article 182 The staff and workers of the Company shall have the right to establish trade unions and carry out trade union activities in accordance with the "Trade Union Law of the People's Republic of China." The activities of the trade union shall be carried out outside normal working hours unless the board of directors determines otherwise.

Chapter 19 Merger and Division of the Company

Article 183 A proposal for merger or division of the Company shall be proposed by the Board of Directors of the Company. After the same has been passed according to the procedures provided in these Articles of Association, the relevant application procedures for approval shall be completed according to law. When the Company merges or divides, the Board of Directors of the Company shall adopt necessary procedures to protect the legal interests of the shareholders who oppose to the merger and division of the Company. Shareholders who object to the proposal for merger or division of the Company shall be entitled to demand that the Company or the shareholders who consent to the proposal for merger or division of the Company purchase their shares at a fair price. The content of the resolution on the merger or division of the Company shall be compiled as a special document for inspection by the shareholders.

The document mentioned above shall be delivered by post to the shareholders of overseas listed foreign capital shares.

Article 184 The merger of the Company may take the two forms of merger by absorption and merger by formation of a new corporation.

In the case of merger, a company absorbs any other company and the absorbed company is dissolved; in the case of consolidation, two or more companies combine together for the establishment of a new one, and the existing ones are dissolved.

In the event of merger of the Company, the parties involved in the merger shall execute a merger agreement and prepare a balance sheet and a list of assets. The Company shall notify the creditors within 10 days from the date of the merger resolution and shall make announcement in newspapers at least three times within 30 days thereof. The creditors

shall, within 30 days after receipt of notice or within 45 days of the first announcement of any merger in the case of creditors that have not received notice, be entitled to demand repayment in full or a guarantee by the Company.

After completion of the merger, the rights and obligations of loans of the parties involved in the merger shall be assumed by the company surviving the merger or the new company formed after the merger.

Article 185 In the event of a division of the Company, its assets shall be divided accordingly.

In the event of a division of the Company, the parties involved shall execute a division agreement and prepare the balance sheet and list of assets. The Company shall notify the creditors within 10 days from the date of the division resolution and shall make an announcement in newspapers at least three times within 30 days thereof. The creditors shall, within 30 days after receipt of notice or within 45 days of the first announcement of any division in the case of creditors that have not received notice, be entitled to demand repayment in full or an appropriate guarantee from the Company.

The liabilities of the Company prior to the division shall be undertaken by the companies after such division in accordance with the agreement entered into.

Article 186 In the event of a merger or division of the Company, alterations in the registered matters of the Company shall be registered at the company registration authorities in accordance with law; in the event of a dissolution of the Company, the cancellation of registration shall be made in accordance with law; in the event of the setting up of a new company, the registration of incorporation thereof shall be made in accordance with law.

Chapter 20 Dissolution and Liquidation of the Company

Article 187 The Company shall dissolve and proceed with liquidation in accordance with law upon occurrence of any one of the following events:

- (1) the expiry of the term of business operation;
- (2) the shareholders' general meeting resolves to dissolve the Company;
- (3) dissolution of the Company is required for the merger or division of the Company;
- (4) the Company is pronounced insolvent in accordance with law as a result of its inability to pay debts when due;
- (5) closure of the Company in accordance with law as a result of its contravention of laws or administrative regulations.

Article 188 In the event that the Company is dissolved under the provisions of paragraph (1) and (2) of the preceding Article, it shall set up within 15 days a liquidation committee, the members of which shall be determined by way of ordinary resolution passed in shareholders' general meeting.

In the event that the Company is dissolved under the provisions of paragraph (4) of the preceding Article, the People's Court shall form a liquidation committee comprised of the shareholders, personnel from the relevant authorities and relevant professionals in accordance with law to proceed with the liquidation.

In the event that the Company is dissolved under the provisions of paragraph (5) of the preceding Article, the relevant supervisory authorities shall form a liquidation committee comprised of the shareholders, personnel from the relevant authorities and relevant professionals in accordance with law to proceed with the liquidation.

Article 189 In the event that the board of directors decides to liquidate the Company (except for liquidation as a result of the pronouncement of insolvency by the Company), it shall specify in the notice convening the shareholders' general meeting for such purpose that the board of directors has made a full inquiry of the affairs of the Company and considers that the Company may settle all the Company's debts within 12 months upon commencement of liquidation.

Upon the passing of the liquidation resolution at the shareholders' general meeting, the duties of the board of directors of the Company shall cease forthwith.

The liquidation committee shall comply with the directions of the shareholders' general meeting and report to the shareholders' general meeting at least once every year the income and expenditure, the business of the Company and the progress of liquidation and submit a final report to the shareholders' general meeting upon the completion of liquidation.

Article 190 The liquidation committee shall notify the creditors within 10 days of its establishment and announce the same in newspapers at least three times within 60 days. The liquidation committee shall register any claims for payment of debt.

The creditors shall claim their creditors' rights to the liquidation committee within 30 days after the date of their receipt of the notice, or for those who did not receive the notice, within 45 days after the date of the announcement. The creditors who claim their creditors' rights shall explain the relevant matters in relation to their rights and provide evidence. During the reporting period of the creditors' rights, the liquidation committee shall not repay the creditors.

Article 191 The liquidation committee shall during the liquidation process perform the following functions and powers:

- (1) to dispose of the properties of the Company, to prepare a balance sheet and list of assets respectively;
- (2) to give notice or make announcement to creditors;
- (3) to deal with and liquidate the uncompleted business of the Company related to the liquidation;
- (4) to effect payment of all taxes due;
- (5) to sort out the Company's right to and liability for debts;
- (6) to deal with the remaining assets after settlement of debts by the Company;
- (7) to represent the Company to participate in civil proceedings.

The members of the liquidation committee shall devote themselves to their duties and perform their obligations of liquidation according to the law. No member of the liquidation committee may take advantage of his position to accept bribes or other illegal proceeds, nor may he misappropriate properties of the Company. Where members of the liquidation committee cause any loss to the Company or any creditor due to the deliberate acts or gross negligence of such members, they shall be liable to pay compensations.

Article 192 After disposal of the assets of the Company and the preparation of the balance sheet and a list of assets has been completed, the liquidation committee shall draw up a liquidation programme for submission to the shareholders' general meeting or the relevant supervisory authorities for their confirmation.

The assets of the Company shall be used in accordance with the following priority:

- (1) to pay liquidation expenses;
- (2) to pay all wages due to the staff and workers of the Company and labour insurance expenses;
- (3) to effect payment of taxes due;
- (4) to settle the debts of the Company.

The remaining assets of the Company after settlement in accordance with the provisions aforesaid shall be distributed to the shareholders of the Company in accordance with the class and proportion of shares held by them.

During the liquidation process, no new business activities shall be commenced by the Company. The assets of the Company shall not be distributed to the shareholders before the repayment is made in accordance with the above provision.

Article 193 If the liquidation committee discovers that, in the case of a liquidation of the Company due to dissolution and after the disposal of the assets of the Company and preparation of the balance sheet and list of assets, the assets of the Company are insufficient to settle the debts, it shall forthwith make an application to the People's Court for a declaration of insolvency.

After the declaration of insolvency by the People's Court, the liquidation committee shall pass the liquidation matters to the People's Court.

If the Company is legally pronounced bankrupt, the Company shall be subject to bankruptcy liquidation according to the relevant laws on enterprise bankruptcy.

Article 194 Upon the completion of the liquidation of the Company, the liquidation committee shall prepare a liquidation report and statement of income and expenditure and the financial accounts for the liquidation which, upon being certified by an accountant registered in China, shall be submitted to the shareholders' general meeting or relevant supervisory authorities for confirmation.

The liquidation committee shall submit within 30 days after the confirmation by the shareholders' general meeting or relevant supervisory authorities the documents mentioned above to the company registration authorities and apply for the cancellation of

the registration of the Company and announce the termination of the Company.

Chapter 21 Procedures for Amending Articles of Association of the Company

Article 195 The Company may amend these Articles of Association pursuant to the laws, administrative regulations and the provisions of these Articles of Association.

Article 196 The procedures for amending these Article of Association shall be as follows:

- (1) after passing resolutions pursuant to these Articles of Association, the board of directors shall propose to the shareholders' general meeting to amend these Articles of Association and draw up the amendment proposal;
- (2) notify the shareholders of the amendment proposal and convene the shareholders' general meeting for a vote;
- (3) the amendments submitted to the shareholders' general meeting for a vote shall be passed by special resolutions.

Article 197 The amendments to these Articles of Association which should be approved by the supervising authority of the Company shall be submitted to the original approval supervising authority for approval. The amendments which involve the contents of the Mandatory Provisions for the Articles of Association of Companies Seeking a Listing Outside the People's Republic of China shall be effective upon the approval by the examining and approving authorities of companies authorised by the State Council and the Securities Commission of the State Council; if the amendments involve company registration matters, alteration of the registration shall be made in accordance with law.

Chapter 22 Resolution of Disputes

Article 198 The Company shall comply with the following rules of dispute resolution:

- (1) In respect of disputes and claims for rights relating to the affairs of the Company that arise from the rights and obligations provided for in these Articles of Association, the Company Law and other relevant laws and administrative regulations, between the shareholders of overseas listed foreign capital shares and the Company, between the shareholders of overseas listed foreign capital shares and the directors, supervisors, president or other senior managerial officers of the Company, between the shareholders of overseas listed foreign capital shares and shareholders of domestic capital shares, the parties involved shall refer these types of disputes or claims for rights to arbitration for settlement.

The disputes or claims for rights mentioned above which are submitted for arbitration refer to the whole of the claims or the entire dispute; if the identities of persons having the same cause of action or parties whose participation are necessary for the settlement of the disputes or the claims for rights involve the

Company, the shareholders of the Company, directors, supervisors, president or other senior managerial officers of the Company, they shall submit themselves to such arbitration.

Disputes involving the definition of a shareholder or register of shareholders need not be settled by arbitration.

- (2) The party applying for arbitration may choose either the China International Economic and Trade Arbitration Committee to proceed with the arbitration pursuant to its arbitration rules or the Hong Kong International Arbitration Centre to proceed with the arbitration pursuant to its securities arbitration rules. After the disputes or claims for rights have been referred to arbitration by the claimant, the other party shall proceed the same with the arbitration institution chosen by such applicant.

If the applicant chooses the Hong Kong International Arbitration Centre to proceed with the arbitration, either party may request to proceed with the same in Shenzhen in accordance with the provisions of the securities arbitration rules of Hong Kong International Arbitration Centre.

- (3) The laws of the People's Republic of China shall be applicable to the settlement of the disputes and claims for rights mentioned in paragraph (1) of this Article by way of arbitration unless the laws and administrative regulations provide otherwise.
- (4) The ruling given by the arbitration institution shall be final and binding on the parties involved.

Chapter 23 Notices and announcements

Article 199 The notice of the Company shall be issued by means of:

- (1) delivery by hand;
- (2) mail;
- (3) announcement;
- (4) other means required in these Articles of Association or recognized by the securities supervising authorities where the shares of the Company are listed.

Notices, information or written statements sent by the Company to shareholders of H shares, shall be delivered by hand to each shareholder of registered H shares according to the address of such shareholder of H shares set out in the register of shareholders, or delivered by post to each shareholder of H shares according to his address set out in the register of shareholders or other means recognised under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited..

Unless otherwise required under laws and regulations and listing rules, the notice that is required to be despatched to the shareholders and other information that is required to be disclosed shall be published or announced by way of announcement in one or more newspapers or on the designated website designated by the securities supervisory

authorities and once it is announced, all the shareholders shall be deemed to have received or knowledge on the relevant notice and other information that is required to be disclosed.

- Article 200 For the notice of the Company delivered by hand, the addressee shall sign (or stamp) on the receipt of the delivery, and the date of delivery refers to the date when the addressee signs the acknowledgement receipt; for the notice of the Company sent by mail, the date of delivery refers to the second working day from the date when the notice is delivered to the post office; for the notice of the Company made by announcement, the date of delivery refers to the date when the announcement is published or announced in the designated newspaper(s) or website(s).
- Article 201 Accidental omission to serve a notice on, or non-receipt of any such notice by, such person who is entitled to receive the same shall not invalidate the meeting and the resolutions passed at the meeting.
- Article 202 Any notices, documents, information or written statements served on the Company by shareholders or the directors shall be delivered to the legal address of the Company by personal delivery or by registered post.
- Article 203 In proving service of notices, documents, information or written statements by the shareholders or directors to the Company, it shall be sufficient if it is proved that the relevant notice, document, information or written statement has been served within the time of service specified by the methods provided for in Article 202 of these Articles of Association. In proving service of the same by personal delivery, it shall be sufficient if it is proved that the same has been served by producing the acknowledgment of receipt by the Company. In proving service of the same-by registered post, it shall be sufficient if it is proved that the same has been served by delivering to the correct address by way of prepaid post.

Chapter 24 Supplementary Provisions

- Article 204 The right of interpretation of these Articles of Association shall belong to the board of directors. Any matter which is not provided in these Articles of Association shall be submitted by the board of directors for approval by resolution at the shareholders' general meeting.
- Article 205 The Company shall compose schedules to these Articles of Association, including the Rules of Procedures for the Shareholders' General Meeting, the Rules of Procedures for the Board of Directors and the Rules of Procedures for the Supervisory Committee in accordance with laws, administrative rules and these Articles of Association, that shall be effective upon approval by the shareholders' general meeting. The rules shall not contradict with these Articles of Association. In case of inconsistency, these Articles of Association shall prevail.
- Article 206 The board of directors of the Company shall be responsible for amendment and interpretation of the "Rules of Procedures for the Shareholders' General Meeting" and the "Rules of Procedures for the Board of Directors". The Supervisory Committee shall be

responsible for amendment and interpretation of the “Rules of Procedures for the Supervisory Committee”. Amendments of the aforesaid rules shall be conducted in accordance with the requirements of Article 196 of these Articles of Association and become effective upon approval by the shareholders’ general meeting.

Article 207 These Articles of Association are written in both Chinese and English languages and the Chinese version shall prevail.