

APPENDIX III

SUMMARY OF THE ARTICLES OF ASSOCIATION

The main purpose of this appendix is to provide [REDACTED] with an overview of the Articles of Association to be implemented following the Company’s H shares [REDACTED]. The following is only a summary and may not contain all the information that is important to [REDACTED].

Shares and Registered Capital

The shares of the Company shall be in registered form, and all shares issued are ordinary shares.

Shares of the Company shall be issued in accordance with the principles of openness, fairness and impartiality. Shares of the same class shall rank pari passu with each other. For same class of shares issued in the same tranche, each share shall be issued at the same price and subject to the same conditions. For the shares subscribed by any entity or individual, the price payable for each of such shares shall be the same.

Subject to filing with the CSRC, the Company may issue shares to domestic and foreign investors. Shares issued by the Company shall be denominated in RMB with a par value of RMB1 per share.

Increase and Reduction of Shares, Repurchase of Shares

Increase and Reduction of Shares

The Company may, based on its business and development needs and in accordance with the requirement of laws, regulations, and listing rules of the stock exchange(s) of the places where the shares of Company are listed, increase its capital in the following manners upon respective resolutions being adopted by the general meetings:

- (I) by [REDACTED] of shares;
- (II) by non-[REDACTED] of shares;
- (III) by allotting bonus shares to its existing shareholders;
- (IV) by capitalising its capital common reserve;
- (V) by other means prescribed by laws and administrative regulations and approved or filed by the CSRC.

The Company’s increase of capital by issuing new shares shall, after being approved in accordance with the provisions of the Articles of Association and listing rules of the places where the shares of Company are listed, be conducted in accordance with the procedures stipulated in the relevant laws, administrative regulations, department rules and listing rules of the stock exchange(s) of the places where the Company’s shares are listed.

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The Board of Directors may, in accordance with the Articles of Association or by authorisation of the general meeting, decide to issue shares not exceeding 50% of the issued shares within three years. However, the capital contribution in the form of non-monetary property shall be resolved at the general meeting.

In the event that the Board of Directors decides to issue shares in accordance with the above provisions, resulting in a change in the registered capital or the number of issued shares of the Company, amendments to the relevant provisions of the Articles of Association do not need to be approved by the general meeting again. Where the Articles of Association or the general meeting authorises the Board of Directors to decide on the issuance of new shares, the resolution of the Board of Directors shall be passed by at least two-thirds of all Directors.

The Company may reduce its registered capital. The Company's reduction of registered capital shall be conducted in accordance with the procedures stipulated in the Company Law and other relevant regulations, listing rules of the places where the shares of Company are listed, other securities regulatory rules and the Articles of Association. The registered capital of Company after such reduction shall not be lower than the statutory minimum amount of registered capital.

Repurchase of Shares

The Company shall not acquire its shares. However, subject to the approval by the procedures specified in the Articles of Association, the Company can repurchase its shares in accordance with the laws, administrative regulations, listing rules of the stock exchange(s) of the places where the Company's shares are listed, department rules, and the Articles of Association under the following circumstances:

- (I) reducing its registered capital;
- (II) merging with other companies which hold the Company's shares;
- (III) using shares for employee stock ownership plans or share incentives;
- (IV) acquiring shares held by shareholders who vote against any resolution proposed in any general meeting on the merger or division of the Company upon their request;
- (V) using shares for converting convertible corporate bonds issued by the listed company;
- (VI) being necessary for the Company to protect the corporate value and the rights and interests of shareholders;
- (VII) in other circumstances as stipulated by laws, administrative regulations and listing rules of the stock exchange(s) of the places where the Company's shares are listed.

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The repurchase of the Company's shares shall adopt the method of open and centralised trading or by other means recognised by the laws, administrative regulations, listing rules of the places where the shares of Company are listed, other securities regulatory rules and the CSRC.

Any repurchase of the Company shares for the reasons stated in items (III), (V) and (VI) referred to above shall adopt the method of open and centralised trading; any repurchase of the Company shares for the reasons stated in items (I) and (II) referred to above shall be resolved at a general meeting, any repurchase of the Company shares for the reasons stated in items (III), (V) and (VI) referred to above shall be resolved at a Board meeting attended by more than two-thirds of the Directors in accordance with the provisions as stated herein or pursuant to the mandate granted by the general meetings.

For any repurchase of the Company's shares pursuant to the Articles of Association, shares repurchased pursuant to item (I) shall be cancelled within ten (10) days from the date of the buy-back; for those circumstances described in items (II) and (IV), the shares shall be transferred or cancelled within six (6) months; for those circumstances described in items (III), (V) and (VI), the total number of the Company's shares held by the Company shall not exceed 10% of the total issued shares of the Company, and shall be transferred or cancelled within three (3) years.

The Company shall apply to the original company registration authority for registration of the change in registered capital after it cancels the portion of shares repurchased by the Company. The amount of the Company's registered capital shall be reduced by the total par value of the shares cancelled.

Transfer of Shares

Unless otherwise provided by laws, administrative regulations, listing rules of the places where the shares of Company are listed, or the Articles of Association, the Company's shares may be transferred in accordance with the law. The transfer of shares of the Company requires registration by the share registrar appointed by the Company. All transfers of overseas listed foreign shares shall be effected by instruments of transfer in writing in an ordinary or usual form or in any other form acceptable to the Board of Directors (including the standard transfer format or ownership transfer form as prescribed by the Hong Kong Stock Exchange from time to time). If the transferor or the transferee of the shares of the Company is a recognized clearing house ("**Recognized Clearing House**") or proxy thereof as defined by relevant provisions of the Hong Kong laws in force from time to time, the written instrument of transfer may be signed by hand or in a machine-printed form. All the instruments of transfer shall be kept at the legal address of the Company or such other address as the Board of Directors may specify from time to time.

The Company shall not accept its shares as the subject of a pledge.

The shares of the Company issued prior to the Company's [REDACTED] of shares shall not be transferred within 1 year from the date the shares of the Company being listed and traded on the stock exchange(s).

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The Directors, Supervisors and senior management of the Company shall report to the Company the shares held by them and the changes thereof. During the term of their office as determined when they assume the posts, the shares transferred by any of them each year shall not exceed 25% of the total number of shares of the same class of the Company that he holds. The shares of the Company held by the aforesaid persons shall not be transferred within one year from the date when the shares of the Company are listed and traded in a stock exchange. Where the shares are pledged within the time limit for restricted transfer as provided for by laws and administrative regulations, the pledgee may not exercise the pledge right within such restricted period. If any of the aforesaid persons leaves from his post, he shall not transfer the shares of the Company that he holds within six months from such departure. If listing rules of the stock exchange(s) of the places where the Company's shares are listed provide otherwise on restrictions on transfers of H shares, such rules shall prevail.

Upon filing with the CSRC, Shareholders holding unlisted shares of the Company may have all or part of their shares listed and traded on overseas stock exchanges; Shareholders holding domestic unlisted shares of the Company may transfer all or part of their shares to foreign investors and have them listed and traded on overseas stock exchanges; and all or part of the domestic unlisted shares of the Company may be converted into overseas listed shares that are listed and traded on overseas stock exchanges. The listing and trading of the transferred or converted shares on overseas stock exchanges shall also comply with the regulatory procedures, regulations and requirements of the overseas securities markets.

Any gains from sale of shares or other securities of equity nature in the Company by any shareholders holding 5% or more of the shares, Directors, Supervisors or senior management in the Company within six (6) months after their purchase of the same, and any gains from purchase of shares in the Company by any of the aforesaid parties within six (6) months after sale of the same shall belong to the Company. The Board shall forfeit such gains from the abovementioned parties. However, the securities company holds more than five percent of the shares as a result of the purchase of the remaining shares after the [REDACTED], or other circumstances stipulated by the CSRC are excluded.

Shares or other securities of equity nature in the Company held by the Directors, Supervisors, senior management and natural person shareholders as referred to above include the shares or other securities of equity nature in the Company held by their spouses, parents, children and held by them using others' accounts. Should the Board of the Company does not observe the provisions as prescribed above, the Shareholders shall be entitled to request the Board of Directors to effect the same within thirty (30) days. If the Board of Directors of the Company fails to do so within the aforesaid time limit, the Shareholders may directly initiate court proceedings in the People's Court in their own name for the interests of the Company. Should the Board of the Company does not observe the provisions as prescribed above, responsible Directors shall be liable joint and severally.

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Shareholders and General Meeting

Shareholders

The Company shall establish a register according to the certificates provided by the securities registry and the register shall be the ample evidence that the shareholders hold any shares in the Company. The Hong Kong branch register must be available for inspection by shareholders, but the Company may be permitted to close the register of members on terms equivalent to those of section 632 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong). The shareholders of the Company shall be the parties who legally hold the Company's shares and whose names have been registered on the register. A shareholder shall enjoy rights and assume obligations pursuant to the class and quantity of shares held; holders of the same class of share shall enjoy equal rights and assume equal obligations.

The Company shall protect the rights of shareholders in accordance with the law, emphasising the protection of the legitimate rights and interests of minority shareholders, and shall not deprive or restrict shareholders of their legitimate rights. When two or more persons are registered as joint shareholders of any shares, they shall be deemed to be joint holders of such shares, subject to the relevant provisions of the Articles of Association.

When the Company convenes a general meeting, distributes dividends, commences liquidation or participates in other activities requiring the identification of shareholders, the Board of Directors or conveners of a general meeting shall decide the record date. The Shareholders whose names appear on the register at the close of trading on the record date shall enjoy the relevant rights.

The register of members may not be changed within 20 days prior to the convening of the general meeting or within 5 days prior to the date on which the Company decides to distribute dividends. Where laws, administrative regulations or securities regulatory authorities have other provisions on the change of the register of members of the Company, such provisions shall prevail.

The Shareholders of the Company shall have the following rights:

- (I) to receive dividends and other profit distributions according to the number of shares held;
- (II) to request, convene, hold, participate or send proxy to attend general meetings and to exercise the corresponding speaking and voting rights according to the law, unless individual shareholders are required by the listing rules of the stock exchange(s) of the places where the Company's shares are listed, or other applicable laws, regulations and administrative regulations, to abstain from voting in respect of any matter to be considered at the general meeting;
- (III) to supervise and manage business operations of the Company and to raise proposals or address inquiries accordingly;

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- (IV) to transfer, donate or pledge the shares held by him pursuant to the provisions of laws, administrative regulations and the Articles of Association;
- (V) to review or copy the Articles of Association, register, minutes of general meetings, resolutions of Board meetings, resolutions of meetings of the Board of Supervisors, and financial accounting Reports;
- (VI) to participate in, upon the Company's termination or liquidation, the distribution of the Company's remaining assets according to the quantity of shares held;
- (VII) with respect to shareholders voting against any resolution adopted at the general meetings on the merger or division of the Company, the right to demand the Company to acquire the shares held by them;
- (VIII) other rights as stipulated in laws, administrative regulations, departmental regulations, listing rules of the stock exchange(s) of the places where the Company's shares are listed and the Articles of Association.

When a shareholder requests to have access to the information mentioned in the preceding Article, he shall comply with the Securities Law and other laws and administrative regulations and present evidence to prove the class and amount of shareholding in writing. The Company shall comply with the shareholder's request after verifying his identity.

If a shareholder who holds individually or collectively more than 3% of the shares of the Company for more than 180 consecutive days may request to review the accounting books and accounting vouchers of the Company. When he/she do so, he/she shall submit a written request to the Company stating the purpose thereof. If the Company has reasonable grounds to believe that the shareholder's requests to review the accounting books and accounting vouchers has improper purposes and may impair the legitimate interests of the Company, it may reject the request of the shareholder to review the accounting books and accounting vouchers and shall, within 15 days from the shareholder's written request, respond to the shareholder in writing, which shall include an explanation. If the Company rejects the request of any shareholder to review the accounting books and accounting vouchers, the shareholder may initiate proceedings in the People's Court.

The shareholder may retain an accounting firm, a law firm, or other intermediaries to review the materials specified in the preceding paragraph.

The shareholder and the accounting firm, the law firm, or other intermediaries retained by it shall comply with the provisions of the Securities Law of the PRC and the laws and administrative regulations relating to the protection of state secrets, commercial secrets, personal privacy and personal information, etc., when reviewing and duplicating the relevant material.

If a shareholder requests to review or duplicate the relevant materials of the Company's wholly-owned subsidiaries, the above provisions shall apply.

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The shareholders of the Company shall assume the following obligations:

- (I) to abide by the law, administrative regulation, listing rules of the stock exchange(s) of the places where the Company's shares are listed and the Articles of Association;
- (II) to pay for the shares pursuant to the quantity and the method of subscription;
- (III) not to divest the shares except as required by the law or statutory regulations;
- (IV) not to abuse his rights as a shareholder to damage the Company's or other shareholder's interests; not to abuse the independent legal person status of the Company and the limited liability of the shareholders to damage the interests of creditors;
- (V) other obligations as stipulated in laws, administrative regulations, listing rules of the stock exchange(s) of the places where the Company's shares are listed and the Articles of Association.

Shareholders of the Company who abuse their shareholders' rights and thereby causing damage to the Company or other shareholders shall be liable for indemnity according to the laws. Where shareholders of the Company abuse the independent legal person status of the Company and the limited liability of shareholders for the purpose of evading repayment of debts, thereby materially impairing the interests of the creditors of the Company, such shareholders shall be jointly and severally liable for the debts owed by the Company.

The controlling shareholders and actual controller of the Company shall not use their affiliation to jeopardise the interests of the Company. They shall be liable for indemnity if, as a result of violating such provisions, they cause damage to the Company. The controlling shareholders and actual controllers of the Company shall have fiduciary duties towards the Company and its public shareholders. The controlling shareholders shall exercise their rights as contributors in strict compliance with the laws, shall not infringe the legitimate rights and interests of the Company and other shareholders through profit distribution, asset restructuring, foreign investment, appropriation of capital, offering security for loans, and shall not make use of their controlling status to jeopardise the interests of the Company and other shareholders.

If a resolution passed at the general meeting or Board meeting of the Company violates the laws or administrative regulations, the shareholders shall have the right to submit a petition to the People's Court to render the same as invalid. If the procedures for convening, or the methods of voting at, a general meeting or Board meeting violate the laws, administrative regulations or the Articles of Association, or the contents of a resolution violate the Articles of Association, shareholders shall be entitled to submit a petition to the People's Court to rescind such resolution within 60 days from the date on which such resolution is passed, except where the procedures for convening a meeting of the general meeting or the Board of Directors or the voting method only has some minor defects, which produces no substantial effect on the resolution.

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Directors, supervisors and senior management shall be liable for any loss caused to the Company as a result of any violation of laws, administrative regulations or the Articles of Association in the course of performing their duties with the Company. In the event that the above situation happens to Directors or senior management members, shareholder(s) individually or jointly holding 1% or more of the shares of the Company for more than 180 consecutive days shall be entitled to request in writing the Board of Supervisors to initiate proceedings to the People's Court. In the event that the above situation happens to supervisors, the shareholder(s) individually or jointly holding 1% or more of the shares of the Company for more than 180 consecutive days shall be entitled to make a request in writing to the Board of Directors to initiate proceedings to the People's Court.

In the event that the Board of Supervisors or the Board of Directors refuses to initiate proceedings after receiving the written request of shareholders stated in the foregoing paragraphs, or fails to initiate such proceedings within 30 days from the date on which such request is received, or in case of emergency where failure to initiate such proceedings immediately will result in irreparable damage to the Company's interests, shareholders described in the preceding paragraphs shall have the right to initiate proceedings to the People's Court directly in their own names for the interest of the Company. If any other person infringes upon the lawful rights and interests of the Company, thereby resulting in the Company incurring any loss, shareholder(s) individually or jointly holding 1% or more of the shares of the Company for more than 180 consecutive days may institute legal proceedings to the People's Court.

If any director or senior management violates the laws, administrative regulations or the Articles of Association, thereby resulting in the shareholders incurring any loss, the shareholders may institute legal proceedings to the People's Court.

General Meeting

The general meeting is the organ of authority of the Company and shall exercise the following functions and powers according to the laws:

- (I) to elect and replace directors and supervisors, and to determine matters relating to the remuneration of the directors and supervisors;
- (II) to consider and approve the reports of the Board of Directors;
- (III) to consider and approve the reports of the Board of Supervisors;
- (IV) to consider and approve the Company's profit distribution plans and loss recovery plans;
- (V) to resolve on the increase or reduction of the Company's registered capital;
- (VI) to resolve on the issuance of corporate bonds or other securities and public listing plans;

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- (VII) to resolve on matters such as the merger, division, dissolution, liquidation or transformation of corporate form of the Company;
- (VIII) to amend the Articles of Association, and to approve the Procedures of General meetings, the Procedures of the Board of Directors and the Procedures of the Board of Supervisors;
- (IX) to resolve on the Company's appointment, removal of accounting firms and determination of the remuneration of accounting firms and the manner in which it is determined;
- (X) to consider and approve external guarantees required to be considered and passed at the general meeting pursuant to the Articles of Association;
- (XI) to consider matters relating to the purchase and sale of material assets by the Company within one year valued at more than 30% of the audited total assets of the Company as at the latest period;
- (XII) to consider and approve matters relating to changes in the use of funds raised;
- (XIII) to consider equity incentive plans and employee stock ownership plans;
- (XIV) to consider other matters which, in accordance with the laws, administrative regulations, departmental rules, listing rules of the stock exchange where the shares of the Company are listed and the Articles of Association, shall be approved by the general meeting.

The general meeting can authorise or entrust the Board of Directors to handle the matters authorised or entrusted thereby, provided that the laws and regulations, and the mandatory the laws and regulations of the place where the shares of the Company are listed are not violated.

Except in the case of crisis or other special circumstances of the Company, unless prior approval by special resolution is obtained in a general meeting, the Company shall not enter into any contract with any party other than the directors, supervisors, general manager and other senior management, pursuant to which such party shall be responsible for managing the whole or any substantial part of the Company's business.

General meetings shall be divided into annual general meeting and extraordinary general meetings. The Company shall convene general meetings in strict accordance with the laws, administrative regulations, departmental rules, listing rules of the stock exchange where the shares of the Company are listed and the Articles of Association to ensure that shareholders are able to exercise their rights in accordance with the laws. Annual general meetings are held once every year and within 6 months from the end of the preceding accounting year.

The Company shall convene an extraordinary general meeting within 2 months after the occurrence of any one of the following circumstances:

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- (I) where the number of directors falls short of the minimum number required by the Company Law or is no more than two-thirds of the number required by the Articles of Association;
- (II) where the unrecovered losses of the Company amount to one-third of its total paid up share capital;
- (III) where shareholder(s) individually or jointly holding 10% or more of the shares of the Company request(s) in writing;
- (IV) where the Board of Directors considers it necessary;
- (V) where the Board of Supervisors so request;
- (VI) where more than two independent directors (i.e. independent non-executive directors under the Listing Rules) so request;
- (VII) other circumstances as stipulated in the laws, administrative regulations, departmental rules, listing rules of the stock exchange where the shares of the Company are listed or the Articles of Association.

The number of shares held by a shareholder in sub-paragraph (III) above shall be based on the number of shares held on the date of written request by the shareholder.

Convening of General Meeting

General meetings shall be convened by the Board of Directors in accordance with the laws. Independent directors (i.e. independent non-executive directors under the Listing Rules) and the Board of Supervisors shall have the right to propose to the Board of Directors to convene an extraordinary general meeting, and the Board of Supervisors shall propose to the Board of Directors in writing. In respect of a proposal by an independent director and the Board of Supervisors to convene an extraordinary general meeting, the Board of Directors shall give a written reply on whether or not it agrees to hold such extraordinary general meeting within 10 days after receipt of the request, in accordance with laws, administrative regulations, the listing rules of the stock exchange where the Company's shares are listed and the Articles of Association. If the Board of Directors agrees to convene the extraordinary general meeting, a notice for convening such meeting shall be issued within five days after the date of the resolution of the Board of Directors. Where the Board of Supervisors proposes to convene an extraordinary general meeting, any changes to the original proposal contained in the notice shall be subject to the approval of the Board of Supervisors.

If the Board of Directors does not agree to convene such extraordinary general meeting proposed by independent directors, reasons shall be explained and the announcement shall be made. If the Board of Directors does not agree to convene such extraordinary general meeting, or fails to give a response

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within ten days after receipt of the proposal of the Board of Supervisors, the Board of Directors shall be deemed to be unable to or have failed to perform its duty to convene the general meeting, and the Board of Supervisors shall have the right to convene and preside over such meeting on its own.

Shareholder(s) individually or jointly holding 10% or more of the shares of the Company shall have the right to request the Board of Directors to hold an extraordinary general meeting, and shall put forward such request to the Board of Directors in writing and state the resolution of the meeting. The Board of Directors shall give a written reply on whether or not it agrees to hold such extraordinary general meeting within 10 days after receipt of the request, in accordance with laws, administrative regulations, the listing rules of the stock exchange where the Company's shares are listed and the Articles of Association. If the Board of Directors agrees to convene the extraordinary general meeting, a notice for convening such meeting shall be issued within five days after the date of the resolution of the Board of Directors and any changes to the original proposal contained in the notice shall be subject to the approval of the relevant shareholders. If the Board of Directors does not agree to convene such meeting, or fails to give a response within ten days after receipt of the request, shareholder(s) individually or jointly holding 10% or more of the shares of the Company shall have the right to propose to the Board of Supervisors to convene an extraordinary general meeting, and shall put forward such request to the Board of Supervisors in writing. The board of supervisors shall, within 10 days after the receipt of such request, decide whether to hold an extraordinary general meeting and reply to the shareholders in writing. If the Board of Supervisors agrees to convene an extraordinary general meeting, a notice for convening such meeting shall be issued within five days after receipt of the request and any changes to the original proposal contained in the notice shall be subject to the approval of the relevant shareholders. If the Board of Supervisors fails to issue a notice convening the general meeting by the prescribed period, the Board of Supervisors shall be deemed to refuse to convene and preside over such meeting, and shareholder(s) individually or jointly holding 10% or more of the shares of the Company for no less than 90 consecutive days shall have the right to convene and preside over the meeting on their own.

If the Board of Supervisors or shareholders decide(s) to convene a general meeting on its/their own, they shall notify the Board of Directors in writing and file with the securities regulatory authority of the place where the Company is located and relevant stock exchange in accordance with the applicable requirements.

A resolution shall be considered and approved at the general meeting where the convening shareholder shall hold no less than 10% of the shares of the Company. The Board of Supervisors or shareholders that convene the meeting shall, when circulating a notice of meeting and making an announcement on the resolution of a general meeting, submit the relevant certification materials to the stock exchange.

Proposals and Notices of General Meeting

When a general meeting is convened by the Company, the Board of Directors, the Board of Supervisors and shareholder(s) individually or jointly holding 1% or more of the shares of the Company shall be entitled to put forward proposals to the Company. The content of proposals shall fall within the

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scope of responsibility of the general meeting, shall contain clear subjects for discussion and specific matters to be resolved and shall comply with relevant provisions of the laws, administrative regulations, listing rules of the stock exchange where the shares of the Company are listed and the Articles of Association, and shall be submitted or delivered to the convener in writing.

Shareholder(s) individually or jointly holding 1% or more of the shares of the Company may submit ad hoc proposals in writing to the convener of the general meeting 10 days before the convening of the general meeting. The convener shall issue a supplemental notice of general meeting within 2 days upon receipt of the proposals and announce the contents of the ad hoc proposals. The supplementary notice shall include the names of the shareholders making the ad hoc proposals, their shareholdings and the contents of the ad hoc proposals. The contents of the ad hoc proposals shall fall within the scope of responsibility of the general meeting, shall contain clear subjects for discussion and specific matters to be resolved. Save those specified in the preceding paragraph, the convener shall neither revise the proposals stated in the notice of general meetings nor add new proposals after issuing the announcement on the notice of general meeting. No voting shall be carried out and no resolution shall be made over the proposals that are not specified in the notice of general meeting or not fulfil the proposal required in the Articles of Association.

The convener shall notify all shareholders at least 21 days prior to the convening of the annual general meetings by publishing an announcement, at least 15 days prior to the convening of the extraordinary general meetings by publishing an announcement.

After the notice of general meeting is issued, the same meeting shall not be postponed or cancelled and the proposals set out in the notice shall not be cancelled without proper reasons. In the case of any postponement or cancellation of the meeting, the convener shall make an announcement and give the reasons therefore at least two workdays prior to the date on which the meeting is originally scheduled, and for the general meeting postponed, the convening date of the meeting shall also be included in the notice, unless otherwise prescribed in listing rules of the stock exchange where the shares of the Company are listed (if so, the latter shall prevail).

Holding of General Meeting

All shareholders whose names appear on the register of shareholders on the registration date or their proxies shall be entitled to attend the general meeting, and exercise their voting rights pursuant to the relevant laws, regulations, listing rules of the stock exchange where the shares of the Company are listed and the Articles of Association. Shareholders may attend in person or appoint proxies to attend and vote at general meetings on their behalf. Any shareholder who has the right to attend and vote at the general meeting shall be entitled to appoint one or more persons (who may not necessarily be shareholders) as his/her proxy(ies) to attend and vote at the meeting on his/her behalf. Shareholders are entitled to speak and vote at general meetings, unless individual shareholders are required to abstain from voting on individual matters in accordance with the Listing Rules).

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The convener, the lawyers engaged by the Company (if any) or share registrar shall verify the validity of the qualifications of shareholders based on such shareholders' register as provided by the securities registration and clearing institution, and shall register the names of the shareholders as well as the amount of their voting shares. The registration for a meeting shall be completed before the chairman of the meeting announces the number of shareholders and proxies attending the meeting and the total number of their voting shares.

All directors, supervisors and the Secretary to the Board of Directors shall attend general meetings of the Company, while the managers and other senior management shall be present at the meetings.

The general meeting is presided over by the chairman of the Board of Directors. In the event that the chairman of the Board of Directors is unable to or fails to fulfil the duty thereof, the vice chairman shall preside over the meeting, where there are more than one vice chairmen, the chairman of the meeting shall be the vice chairman of the Board of Directors jointly elected by more than half of the directors. In the event that even the vice chairman is unable to or fails to fulfil the duty thereof, the majority of the Directors shall jointly elect a Director to preside over the meeting. A general meeting convened by the Board of Supervisors itself shall be presided over by the chairman of the Board of Supervisors. In the event that the chairman of the Board of Supervisors is unable to or fails to fulfil the duty thereof, the meeting shall be presided over by the vice chairman of the Board of Supervisors. In the event that the vice chairman of the Board of Supervisors is unable to or fails to fulfil the duty thereof, more than half of the supervisors shall jointly elect a supervisor to preside over the meeting. Where a general meeting is convened by shareholders themselves, the general meeting shall be presided over by the representative elected by the conveners.

The convener shall ensure that the general meeting is held continuously until final resolutions are arrived at. In the event that the general meeting is terminated or fails to reach any resolution owing to force majeure or for other special reasons, immediate action shall be taken to resume the general meeting as soon as possible or the general meeting shall be directly terminated, and such circumstances shall be announced and reported in a timely manner according to laws, administrative regulations, departmental rules, normative documents or securities regulatory rules of the place where the Company's shares are listed.

Voting and Resolutions of General Meetings

Shareholders (including their proxies) shall exercise their voting rights according to the number of voting shares that they represent. Each share shall carry one voting right. On a poll, a shareholder (including proxy thereof) entitled to two or more votes needs not cast all his/her votes in the same way of pros, cons or abstention. When the general meeting considers matters that could materially affect the interest of middle and small investors, the votes by middle and small investors shall be counted separately, and the results of such separate vote counting shall be disclosed promptly. Shares held by the Company do not carry voting rights, and shall not be counted in the total number of voting shares represented by shareholders present at a general meeting.

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The Board of Directors, independent directors, and any shareholder holding more than 1% of the voting shares of the Company or an investor protection institution established in accordance with the laws, administrative regulations or regulations of the CSRC may publicly solicit proxies from the Company's shareholders. In soliciting voting rights of shareholders, information such as specific voting intention shall be sufficiently disclosed to the shareholders from whom voting rights are being solicited. Solicitation of voting rights at any consideration, whether in direct or indirect form, is prohibited. Saved as prescribed by the laws, the Company shall not propose any minimum shareholding restriction on the solicitation of voting rights.

Resolutions of the general meeting shall be divided into ordinary resolutions and special resolutions. An ordinary resolution of a general meeting shall be passed by more than one half of the voting rights held by the shareholders (including their proxies) present at the meeting. A special resolution of a general meeting shall be passed by two-thirds of the voting rights held by the shareholders (including their proxies) present at the meeting.

The following matters shall be passed by ordinary resolution at a general meeting:

- (I) work reports of the Board of Directors and the board of supervisors;
- (II) proposals for profit distribution and for making up accrued losses formulated by the Board of Directors;
- (III) appointment and removal of members of the Board of Directors and the board of supervisors, their remuneration and method of payment;
- (IV) annual report of the Company;
- (V) appointment or removal of accounting firms of the Company;
- (VI) any matters not otherwise required by the laws, administrative regulations, regulatory rules of the place where the shares of the Company are listed or the Articles of Association to be passed by special resolution.

The following matters shall be passed by special resolution of a general meeting:

- (I) the increase or reduction of registered capital of the Company;
- (II) the de-merger, spin-off, merger, dissolution and liquidation (including voluntary winding-up) or transformation of the Company;
- (III) any amendment to the Articles of Association;

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- (IV) acquisition or disposal of substantial assets within one year or providing guarantee to others in an amount exceeding 30% of the total assets of the Company as shown in its audited financial statements for the most recent period;
- (V) equity incentive scheme;
- (VI) variation or abrogation of the rights of the class shareholders;
- (VII) such other matter provided by the laws, administrative regulations, listing rules of the stock exchange(s) where the shares of the Company are listed or the Articles of Association and matter which has been determined by way of any ordinary resolution by shareholders in general meeting to have a material effect on the Company and shall be subject to the passing by way of special resolution.

A connected shareholder shall not vote in respect of any motion on connected transactions at the general meeting, where the number of shares with voting rights represented by such connected shareholder shall not be counted in effective voting; the announcement of a resolution of general meeting shall fully disclose the voting of non-connected shareholders. The connected shareholder shall abstain from voting on relevant matters voluntarily. If the connected shareholder does not abstain voluntarily, any other shareholder who is aware of the fact may request him to abstain therefrom. When the general meeting is considering connected transaction matters, chairman of the general meeting shall announce the list of connected shareholders and whether they are entitled to vote. The chairman shall also announce the total number of voting shares being held by the non-connected shareholders and its percentage to the total number of shares of the Company before voting takes place.

Unless the Company is in a crisis or any special circumstance, the Company may not enter into any contract with anyone other than a director, manager or other senior management officer to have all or significant part of the Company's business in the care of the said person, unless with the approval by special resolutions at a general meeting.

Lists of nominations for the candidates for directors or supervisors shall be put forward by way of proposal at the general meetings for voting. Resolutions in respect of the election of directors or supervisors at the general meeting may be passed by way of cumulative voting pursuant to the requirements of the Articles of Association or resolutions of the general meeting, i.e. a system of voting for the election of directors or supervisors at the general meeting under which voting rights of each share is equal to the number of directors or supervisors to be elected and the shareholder can cast all his votes in the same manner. The Board of Directors shall announce to the shareholders the resumes and basic information of candidates for directors and supervisors.

Except for the cumulative voting system, the general meeting will vote all motions one by one. If there are different motions on the same issue, the motion will be voted in chronological order according to the time they are proposed. Except for the reason of force majeure or other special reason causing the general meeting to be adjourned or no resolutions can be made, the general meeting will not shelve or refuse to vote the motions.

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When the motion is being considered at the general meeting, no amendment to the motion shall be made, otherwise such amendment shall be considered as a new motion which cannot be voted at the general meeting of this time. When a vote is cast, it may be cast by only one of the following methods, in person, online or by other voting means. If one vote is cast by more than one method, the first vote shall prevail.

The voting at the general meeting shall be in open ballot. Before a poll on the motions is taken at the general meeting, two shareholder representatives shall be invited to participate in the vote count and scrutiny. If shareholders are interested in or connected with certain issues, the relevant shareholders and proxy thereof shall not take part in the vote count or scrutiny. When the motions are voted at the general meeting, the lawyer (if any) or share registrar, shareholder representatives and supervisor representatives shall jointly count and scrutinise the votes, the voting result shall be announced on the spot and recorded in the minutes of the meeting. Shareholders of the Company or their proxies who cast their votes over the network or by another method shall have the right to inspect their own voting results through an appropriate voting system.

Board of Directors

Directors

Directors of the Company shall be natural persons. A natural person who falls into any of the following circumstances shall not serve as director of the Company:

- (I) a person who suffers from any incapacity or restricted capacity from undertaking civil liabilities;
- (II) a person who has been convicted of and sentenced for offences relating to corruption, bribery, trespass to assets, misappropriation of assets or causing socialist market economy disorder and a period of 5 years has not elapsed since the completion of the term of the sentence or deprivation or who has been deprived of his political rights and imposed a suspended sentence as a result of he/she having committed an offence and a period of 2 years has not elapsed since the completion of the term of the suspended sentence;
- (III) a person who is a director or factory manager or manager of a company or enterprise which has become insolvent and liquidated and who incurs personal liability for the insolvency of that company or enterprise, and a period of 3 years has not elapsed since the date of completion of insolvent liquidation of that company or enterprise;
- (IV) a person who is a legal representative of a company or enterprise, the business licence of which is revoked and ordered to close down on the grounds of contravention of law, and who incur personal liability therefor, and a period of 3 years has not elapsed since the date of revocation of the business licence of that company or enterprise or that company or enterprise being ordered to close down;

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- (V) a person who has been as a dishonest party by the People's Court due to with comparatively large debts that have fallen due but have not been settled;
- (VI) a person who is currently being prohibited from participating in securities market by the CSRC and who has been publicly determined by a stock exchange to be not suitable to act as a director of the Company, where the term has not yet expired;
- (VII) other matters stipulated by laws, administrative regulations, departmental rules or listing rules of the stock exchange(s) where the shares of the Company are listed.

For any election and appointment of a Director in contravention of the provisions prescribed by this Article, such election, appointment or employment shall be void and null. Where a Director falls into any of the aforesaid circumstances in his term of office, the Director shall be removed from office.

Directors shall be elected or changed by the general meeting and serve a term of three years. A director may serve consecutive terms if re-elected upon the expiry of his term, unless otherwise stipulated by the relevant laws, regulations, Articles of Association and listing rules of the stock exchange where the Company's shares are listed. A director, before his term of office expires, may be dismissed by the general meeting. A director's term of service commences from the date he takes up the appointment, until the current term of service of Board of Directors ends. If a director's term of service expires but a new director is not yet appointed, the original director shall continue to carry out the director's duties according to the laws, administrative regulations, departmental regulations, listing rules of the stock exchange(s) where the shares of the Company are listed and the Articles of Association until the newly elected director's appointment comes into effect.

The manager or other senior executives may concurrently serve as directors of the Company, provided that the total number of directors who concurrently serve as the manager or other senior executives shall not exceed half of the total directors of the Company. No employee representatives are to be appointed as directors on the Board of Directors.

The directors shall comply with the laws, administrative regulations, listing rules of the stock exchange(s) where the Company's shares are listed and Articles of Association and shall diligently perform the loyalty and diligence obligations stipulated in the Articles of Association to the Company. Gains of directors arising out of activities in violation of the loyalty obligations shall belong to the Company. The directors shall be liable for compensation for any loss caused to the Company.

A director who cannot attend Board of Directors' meetings in person twice consecutively, nor appointed any other directors to attend on his behalf is deemed as failure in performing the duties, and shall be subject to replacement as recommended by the Board of Directors at a general meeting. The directors may, prior to expiration of their terms of office, resign and submit their resignation report in writing to the Board of Directors. The Board of Directors shall disclose the relevant information within two days thereafter.

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If any directors resign such that the membership of the Board of Directors of the Company falls short of the number of directors required, such director shall continue to fulfil his/her duties as director pursuant to laws, administrative regulations, departmental rules and the Articles of Association until a new director is elected. The notice of resignation of the resigning director will only become effective until a new director is appointed to fill the vacancy. Save for the circumstances referred above, the director's resignation takes effect upon delivery of his/her resignation notice to the Board of Directors.

A director shall conduct handover procedures with the Board of Directors upon resignation or expiration of his term of office. His fiduciary duties towards the Company and the shareholders shall remain valid within three years after expiration of his term of office; the obligation of the director to keep in confidentiality the trade secret of the Company shall be valid after the expiration of his term of office till such trade secret becomes public information. Other obligations may continue for such period as the principle of fairness may require depending on the time lapse between the termination of tenure and the occurrence of the event concerned and the circumstances under which the relationships between them and the Company are terminated.

A Director whose term of office has not yet expired shall be liable for compensation for any loss caused to the Company due to his/her unauthorised resignation or his/her violation of laws, administrative regulations, departmental rules or the Articles of Association in performing his/her duties. If a controlling shareholder or a de facto controller of the Company instructs a director to engage in acts that harm the interests of the Company or shareholders, he/she shall be liable jointly and severally with the director. The Company shall be liable for any damages to others caused by a director of the Company while he/she is performing his/her duties. The director in question shall also be liable if such damages are intentional or caused by his/her gross negligence.

The Company has at least three independent directors. Save as otherwise provided in Chapter 6 of the Articles of Association under the section titled "Directors", independent directors shall be subject to the provisions of Chapter 6 under the section titled "Directors" relating to the qualifications and obligations of directors. One third or more of the members of the Board of Directors shall be independent directors, of which at least one person shall have financial professional qualifications or accounting or related financial management expertise as required under the listing rules of the place where the shares of the Company are listed. Independent directors shall carry out their duties honestly and faithfully, safeguard the Company's interest and in particular prevent encroachment of the legitimate rights and interests of public shareholders, in order to ensure the sufficient representation of the interests of all shareholders.

Where an independent director is unqualified for being independent or other circumstances arise making him/her unqualified for performing duties, resulting in the number of independent directors of the Company falling below the number required by the Articles of Association, the Company shall add additional independent directors to fill up the quorum as required by the regulations.

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The Articles of Association do not specifically provide for the manner in which directors may own or exercise borrowing rights, but in connection with the issuance of corporate bonds, the Articles of Association contain an understanding that (1) the Board of Directors will formulate a plan for the issuance of corporate bonds, and (2) the issuance of corporate bonds will be authorised by a resolution of the general meeting.

Board of Directors

The Company shall establish a board of directors, which shall be accountable to the general meeting. The board of directors consists of 11 directors, including 4 independent directors, who are elected by shareholders at general meetings.

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

- (I) to convene general meetings and to report on its work at the general meetings;
- (II) to implement resolutions of the general meetings;
- (III) to decide on the business plans and investment proposals of the Company;
- (IV) to prepare proposals for profit distribution and for making up accrued losses of the Company;
- (V) to prepare proposals for the increase or reduction of share capital and the issue of bonds of the Company or other securities and listing plans;
- (VI) to formulate proposals for major acquisitions, purchase of the Company's shares or the merger, demerger, dissolution or change in the form of the Company;
- (VII) to decide on external investment, acquisition and disposal of assets, asset mortgage, external guarantee, consigned financial management, connected transactions, donations, etc. of the Company within the scope authorised by the general meetings;
- (VIII) to decide on the establishment of internal management organisation of the Company;
- (IX) to appoint or dismiss the general manager, secretary to the board of directors and other senior management members of the Company and at the recommendation of the general manager, to appoint or dismiss deputy general managers, chief financial officer and other senior management members of the Company, and to determine matters relating to their remuneration, rewards and punishments;
- (X) to formulate the basic management system of the Company;
- (XI) to prepare proposals for the amendment of the Company's Articles of Association;

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- (XII) to manage disclosure of information concerning the Company;
- (XIII) to propose to general meeting for the engagement or change of the accounting firm that provides audit for the Company;
- (XIV) to receive reports and examine the work of the general manager of the Company;
- (XV) to evaluate and determine the nature and extent of risks that the Company is willing to take in achieving its strategic objectives and to ensure that the Company establishes and maintains appropriate and effective risk management and internal control systems;
- (XVI) to design, implement and monitor the risk management and internal control systems, the effectiveness of which shall be provided by the management to the Board of Directors;
- (XVII) to review the effectiveness of the risk management and internal control systems of the Company and its subsidiaries at least once a year and to report to shareholders in the corporate governance report that such review has been completed;
- (XVIII) to ensure that the Company's resources, staff qualifications and experience, and the training programmes and related budgets received by the staff in respect of the Company's accounting, internal audit and financial reporting functions and in relation to the Company's environmental, social and governance performance and reporting are adequate;
- (XIX) to decide on major matters and administrative affairs other than those that shall be resolved by the general meeting of the Company as stipulated in the laws, administrative regulations, departmental rules, the Articles of Association and the listing rules of the stock exchange where the Company's shares are listed, and to enter into other important agreements;
- (XX) such other functions and power as authorised by the laws, administrative regulations and departmental rules, regulatory rules of the place where the Company's shares are listed or the Articles of Association.

The above matters of authority exercised by the board of directors or any transaction or arrangement of the Company which shall be reviewed by a general meeting according to the listing rules of the stock exchange where the Company's shares are listed, shall be submitted to the general meeting for consideration. Matters beyond the scope of authorisation by the general meeting shall also be submitted to the general meeting for consideration.

In addition, the board of directors shall have the right to approve external guarantees other than those shall be approved by the general meeting as stipulated in the Articles of Association. When the board of directors decides to enter into an external guarantee, it shall obtain the consent of at least two-thirds of all the directors.

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The board of directors of the Company shall establish an audit committee and, as necessary, a nomination committee and a remuneration committee. These special committees shall be accountable to the board of directors and shall perform their duties as authorised by the Articles of Association and the board of directors. These special committees shall submit proposals to the board of directors for consideration and approval. All such special committees shall consist of directors. The majority of the members of the audit committee, nomination committee and remuneration committee shall be independent directors, who shall convene the meetings of such committees. The convener of the audit committee shall be a professional accountant. The board of directors is responsible for formulating the working procedures of the special committees and regulating the operation of the special committees.

The board of directors shall have a chairman and two vice chairmen. The chairman and vice chairmen shall be elected by the board of directors by more than half of all directors.

The chairman shall exercise the following functions and powers:

- (I) to preside over the general meetings and convene and preside over board meetings;
- (II) to supervise and check on the implementation of resolutions of the board;
- (III) such other functions and powers as authorised by the laws, regulations, regulatory documents, the listing rules of the stock exchange where the Company's shares are listed, the Articles of Association and the board of directors.

The vice chairman shall assist the chairman of the board of directors in work. When the chairman is unable to or does not carry out his duties, they shall be carried out by the vice chairman (if the Company has two or more vice chairmen, then these duties shall be carried out by the vice chairman nominated by more than one half of the directors). If the vice chairman is unable to or does not carry out his duties, more than one half of the directors shall nominate a director to carry out the duties.

The board meetings include regular meetings and extraordinary meetings. No less than four (4) board meetings shall be held each year. Such meetings shall be convened by the chairman of the board, with the notice thereof being given in writing to all directors and supervisors fourteen (14) days prior to the meeting date and the documents to be used in the meeting being served on all directors and supervisors three (3) days prior to the meeting date.

The chairman of the board shall convene and preside over the extraordinary board meeting within ten (10) days under any of the following circumstances where:

- (I) more than one third of the directors jointly propose;
- (II) the board of supervisors proposes;
- (III) any shareholder holding more than 10% voting rights propose;

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(IV) Any other circumstances as stipulated in the Articles of Association.

When the board of directors convenes an extraordinary meeting, the secretary of the board of directors shall send a written notice of the meeting and the documents to be used in the meeting to all directors and supervisors five (5) days prior to the meeting date by hand, express courier, or facsimile or e-mail. If there is a need to convene an extraordinary board meeting as soon as possible, notice of the meeting may be given by telephone or other verbal means at any time, and with the unanimous consent of all directors, the convening of an extraordinary board meeting may not be subject to the limitation of the time, but the convenor shall make an explanation at the meeting and record it in the minutes of the meeting. Notice of a meeting shall be deemed to have been given to any director who attends the meeting without protesting against, before or at its commencement, any lack of notice.

The quorum for any meeting of the board of directors (those that authorise other directors to attend shall be deemed to be present at the meeting) is more than half of the directors present at the meeting. Each director shall have one vote. Any resolution to be passed by the board of directors shall be subject to affirmative votes of more than half of all the directors.

The manner of voting of a board resolution shall be open ballot. No director shall vote for any resolution regarding any contracts, or arrangements in which he or any of his/her close associates (as defined by the applicable listing rules effective from time to time) is approved to have significant interests, including a resolution concerning a connected corporation or person. If any director has connected relationship with the enterprises or individuals involved in matters resolved at board meetings, the said director shall promptly report in writing to the board of directors and shall not exercise voting rights on behalf of other directors, and shall not be counted towards the quorum of the meeting. The quorum for such board meeting shall be more than half of the directors who do not have any interest or connected relationship, and any resolution to be passed by the board of directors shall be subject to affirmative votes of more than half of the directors without such interest or connected relationship. Where the number of directors without such interest or connected relationship present at such board meeting is less than 3, such matter shall be submitted to the general meeting for consideration.

Regular and extraordinary board meetings shall be held by the way of on-site meetings or electronic communications. Subject to the full and adequate expression of opinions by the directors, they may be held by means of teleconference or video conference. For any proposal which is to be considered and approved by way of a board resolution but does not really need on-site communication and discussion among directors, relevant resolution can be made by way of written resolutions.

The directors shall attend the meeting of the board of directors in person. If a director is unable to attend for any reason, he or she shall prudently appoint another director in writing to attend the meeting on his or her behalf, and an independent director shall not appoint a non-independent director to attend the meeting on his or her behalf. Any director shall not be appointed as the proxy to attend the same board meeting by more than two directors. When considering connected transactions, a non-connected director shall not appoint a connected director to attend the meeting on his/her behalf.

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The directors shall sign and take responsibility for the resolutions of the board of directors. Where a resolution of the board of directors is in violation of laws, administrative regulations, the Articles of Association or the shareholders' resolutions, thereby causing serious losses to the Company, the directors who took part in the resolution shall be liable to the Company for damages. However, where a director can prove that he/she had expressed his/her opposition to such resolution when it was put to the vote, and that such opposition was recorded in the minutes of the meeting, such director may be relieved from such liability.

Each director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years.

If an independent non-executive director serves more than nine years, his/her further appointment should be subject to a separate resolution to be considered and approved by shareholders. The papers to shareholders accompanying such resolution should state why the board of directors (or nomination committee) believes the director is still independent and should be re-elected, including the factors considered, the process and discussion of the board of directors (or nomination committee) in arriving at such determination.

Where all the independent non-executive directors of the board of directors serve more than nine years, then the Company shall:

- (I) disclose the name and the length of tenure of each existing independent non-executive director in the circular to shareholders and/or explanatory statement accompanying the notice of the annual general meeting; and
- (II) appoint a new independent non-executive director at the forthcoming annual general meeting.

Secretary to the Board of Directors

The Company shall have a secretary to the board of directors, who is a member of the senior management members of the Company, and shall be accountable to the board of directors.

The secretary to the board of directors shall be a natural person with the requisite professional knowledge and experience, and shall be appointed by board of directors. A director or other senior management members of the Company may concurrently act as the secretary to the board of directors. An accountant of a firm of accountants retained by the Company shall not concurrently act as the secretary to the board of directors. Where a director also holds the office of the secretary to the board of directors and if an act is required to be done by a director and the company secretary separately, then that director holding the office of the secretary to the board of directors may not perform the act in his/her dual capacity.

The secretary of the board of directors shall be nominated by the chairman and shall be appointed and dismissed by the board of directors.

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General Manager and Other Senior Management Members

The Company shall have one general manager, one secretary to the Board, one chief accountant (the personnel in charge of financial affairs) and a number of other senior management members, who shall be appointed or dismissed by the board of directors. A director may concurrently serve as the general manager or other senior management members.

The circumstances under which a director is not allowed to act as a director and the provisions on the director's duty of loyalty and diligence as stipulated in the Articles of Association shall also apply to the senior management members.

Officer who holds administrative positions (other than directors or supervisors in the Company's controlling shareholders or de facto controllers) shall not be senior management members of the Company. The Company's senior management members shall receive remuneration only from the Company, and shall not receive any salary from controlling shareholder.

Each term of office of a general manager shall be three (3) years, and the general manager may be reappointed for consecutive terms.

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

- (I) to take charge of the production, operations and management of the Company, to organise the implementation of resolutions of the board of directors, and to report to the board of directors;
- (II) to organise the implementation of the annual business plans and investment proposals of the Company;
- (III) to formulate plans for the establishment of the internal management structure of the Company;
- (IV) to formulate the basic management system of the Company;
- (V) to establish the basic rules and regulations of the Company;
- (VI) to propose to the board of directors the appointment or dismissal of deputy general managers and personnel in charge of financial affairs of the Company;
- (VII) to appoint or dismiss management staff other than those required to be appointed or dismissed by the board of directors;
- (VIII) to propose salaries, welfare, reward and penalty, and determine employment and dismissal of the Company's staff;

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- (IX) organise the implementation of resolutions of the board of directors;
- (X) to prepare the annual budget and final accounts of the Company;
- (XI) to prepare proposals for profit distribution and for making up accrued losses of the Company;
- (XII) to consider and approve the scheduling of large sums of money and the payment of financial expenditures of the Company in accordance with the decisions of the board of directors;
- (XIII) to conduct external negotiations and handle business, and sign contracts and agreements on behalf of the Company under the entrustment of the chairman;
- (XIV) to propose the convening of an extraordinary board meeting;
- (XV) such other duties and functions as authorised by the Articles of Association and the board of directors.

The general manager may present at the Board meetings. The general manager shall report to the Board or the board of supervisors on matters concerning the Company's entering into material contracts, status of implementation, application of funds, profit and loss reports and so forth. The general manager shall ascertain the authenticity of the report.

On the matters related to the personal interests of the employees, the general manager shall consult the labour union and the employee representatives' meetings, prior to drafting plans for wages, benefits, safe-production procedures and workers' protection and labour insurance, disengagement (or dismissal) of employees.

The general manager may resign before the expiry of his/her terms of office and detailed procedure and methods in relation to resignation shall be referred to the service contracts between such manager and the Company. In the event that the general manager cannot perform his/her duties, the Board shall appoint a deputy general manager to perform such duties on his/her behalf.

The deputy general manager and financial officer of the Company shall be nominated by the general manager and appointed by the Board. The deputy general manager and financial officer shall be responsible to the general manager, report their work to him/her, and fulfil relevant responsibilities according to the assigned business scope.

Senior management shall be liable for any loss caused to the Company as a result of any violation of laws, administrative regulations or the Articles of Association in the course of performing their duties with the Company. If a controlling shareholder or a de facto controller of the Company instructs a senior management member to engage in acts that harm the interests of the Company or shareholders, he/she shall be liable jointly and severally with the senior management member. Senior management shall not use their connected relationship to prejudice the interests of the Company. They shall be liable

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for any losses caused to the Company as a result of such violation. The senior management shall be liable for compensation in accordance with law for any damage caused to the interests of the Company and public shareholders as a result of their failure to perform duties with honesty or violation of their fiduciary duties. The Company shall be liable for any damages to others caused by the senior management member of the Company while he/she is performing his duties. The senior management member in question shall also be liable if such damages are intentional or caused by his/her gross negligence.

Board of Supervisors

Supervisor

The circumstances in which a person shall not be appointed as a director provided by the Articles of Association shall be applicable to the supervisory. Directors, manager(s) and other senior management shall not act concurrently as supervisors.

Each supervisor shall serve for a term of three years. The term is renewable upon re-election and re-appointment. If re-election of a supervisor has not taken place prior to the end of the appointment term, or a supervisor has resigned during his appointment term resulting in the board of supervisors members to be less than quorum, before the re-elected supervisor takes office, the outgoing supervisor shall nevertheless perform his duties as a supervisor in accordance with the law, administrative rules, the listing rules of the stock changes where the Shares are listed and the Articles of Association.

The supervisors shall abide by the laws, administrative rules, the listing rules of the stock exchange(s) where the Shares are listed and the Articles of Association and perform the obligations faithfully and diligently. They shall not abuse their authority of office to obtain bribes or other illegal income and not to misappropriate the property of the Company. The provisions relating to the director's duty of loyalty and diligence as stipulated in the Articles of Association shall also apply to the supervisors.

The supervisors may attend Board meetings as non-voting participants, and deliver enquiry or suggestion regarding resolutions at Board meetings. The supervisors shall not use their connected relationship to prejudice the Company's interests and shall be liable for compensation to any loss caused to the Company. Any supervisor who violates any laws, administrative regulations, departmental rules, the listing rules of the place where the Shares are listed or the Articles of Association during the course of performing his/her duties and causes losses to the Company shall be liable for compensation to any loss caused to the Company.

Board of Supervisors

The Company shall have a board of supervisors. The board of supervisors shall be composed of 3 supervisors, among whom, one shall act as the chairman of the board of supervisors. Anhui Conch Technology Innovation Material Co., Ltd. recommends 2 of them, and the remaining 1 is the employee

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representative supervisor. Shareholders' representative supervisors in the board of supervisors shall be elected democratically by the general meeting, and employee representative supervisors shall be elected democratically by the Company's employees at employee representatives' meetings.

The board of supervisors has a chairman recommended by Anhui Conch Technology Innovation Material Co., Ltd. and elected by a majority of all supervisors.

The board of supervisors shall be accountable to the general meeting and shall perform the following duties:

- (I) to review the securities issuance documents and the Company's periodical reports prepared by the Board and to express its comments in writing;
- (II) to inspect the Company's financial position;
- (III) to supervise the behaviours of the Directors and senior management members in performing their duties, and to advise on dismissal of any Directors and senior management members who are in breach of laws, administrative regulations, the Articles of Association, the listing rules of the place where the Shares are listed or resolutions of the general meeting;
- (IV) to demand the Directors and senior management members to rectify their errors if they have acted in a harmful manner to the Company's interest;
- (V) to propose to convene an extraordinary general meeting, and where the Board fails to perform the duties in relation to convening or presiding over a general meeting as required by the Company Law, to convene and preside over the general meeting;
- (VI) to propose motions in a general meeting;
- (VII) to take legal actions against Directors and senior management members in accordance with Article 189 of the Company Law;
- (VIII) to supervise the Company's compliance operations, management and the administration of managers according to laws;
- (IX) to conduct investigations whenever unusual conditions of operation of the Company arise and if necessary, to engage professional institutions such as firms of accountants and lawyers to assist in the investigations. Any costs arising therefore shall be borne by the Company;
- (X) to exercise other authorities as authorised by laws, administrative regulations, departmental rules, the listing rules of the place where the Shares are listed, the Articles of Association and the general meeting.

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The board of supervisors may engage professional institutions such as firms of lawyers and accountants for assistance in the performance of its duties, and all relevant expenses incurred thereof shall be borne by the Company.

Board of supervisors include the regular meeting and the extraordinary meeting. The board of supervisors shall meet at least once every six months, and the supervisors may propose to convene an extraordinary meeting of the board of supervisors. Written notices of meetings bearing the seal of the board of supervisors shall be submitted to all supervisors at least 10 days in advance of the convening of a regular meeting of the Board of Supervisors and at least 5 days in advance of the convening of an extraordinary meeting of the Board of Supervisors. In case of emergency, an extraordinary meeting of the board of supervisors must be held urgently, the notice of meeting can be given through verbal notice, telephone or by fax but the convener must give an explanation at the meeting.

Meetings of the board of supervisors shall be convened and presided over by the chairman of the board of supervisors. If the chairman of the board of supervisors cannot fulfil the duty thereof, he/she shall designate a supervisor to convene and preside over the meeting of the board of supervisors on his/her behalf. If the chairman of the board of supervisors fails to fulfil the duty thereof without any reason and fails to designate a specific person to exercise his/her duties on his/her behalf, the majority of the supervisors may elect a supervisor to convene and preside. A meeting of the board of supervisors shall be held with the attendance of more than two-thirds of the supervisors. Resolutions made by the board of supervisors must be passed by more than half of all supervisors and signed by the supervisors present at the meeting.

A supervisor shall attend meetings of the board of supervisors in person, or appoint in writing another supervisor to attend the meeting on his/her behalf due to his/her absence, and the supervisor attending the meeting on his/her behalf shall exercise the supervisor's rights within the scope of the authorisation. A supervisor who fails to attend a meeting of the board of supervisors and fails to appoint a proxy to attend the meeting shall be deemed to have waived his/her right to vote at that meeting.

Resolutions of the board of supervisors are voted on by show of hands or by ballot. Each supervisor has one vote.

Financial and Accounting Systems, Profit Distribution and Auditing

Financial and Accounting Systems

The Company shall formulate its own financial and accounting systems in accordance with provisions of the laws, administrative regulations and financial department under the State Council. The listing rules of the stock changes where the Shares are listed have other provisions, such provisions shall prevail.

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The Company's accounting shall adopt the debit and credit method, with Renminbi as its bookkeeping base currency, and adopt the Gregorian calendar year as its fiscal year, which shall commence on January 1 and end on December 31 of the same Gregorian calendar year.

The Company prepares an annual financial accounting report within two months after the end of each fiscal year in accordance with the provisions of the national financial and tax system, describing the Company's financial status, production and operation, and the status of preservation and appreciation of the value of the assets, which shall be audited by an accounting firm in accordance with the law.

The Company prepares a financial accounting report at the end of each fiscal year, which shall be audited by an accounting firm in accordance with the law. The Company's financial reports shall be made available for shareholders' inspection at the Company twenty days prior to the meeting of the annual general meeting.

The Company's annual financial accounting report includes, but is not limited to, the following:

- (I) balance sheets;
- (II) income statements;
- (III) profit distribution statements;
- (IV) cash flow statements;
- (V) notes to the accounting statements or statement of financial position.

The Company shall not maintain any account books other than statutory account books. Assets of the Company shall not be held in any accounts opened in the name of any individuals.

Profit Distribution

The Company's profit after tax for the year is distributed in the following order:

- (I) to make up for the losses of the previous year;
- (II) to withdraw statutory reserve fund;
- (III) to withdraw discretionary reserve fund as resolved by general meeting;
- (IV) to distribute profits to shareholders.

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When the Company distributes its after-tax profit for the year, 10% of the profit should be withdrawn and included in the Company's statutory reserve fund. The Company can stop withdrawing the statutory reserve fund when the total amount withdrawn exceeds 50% of the Company's registered capital. After the withdrawal of the statutory reserve fund, whether to withdraw the discretionary reserve fund shall be decided by the general meeting.

If the Company's statutory reserve fund is not enough to make up for the losses of the Company of the previous year, the current year's profits shall be used first for making up the losses before the statutory reserve fund is drawn therefrom according to the above provisions in accordance with the law.

After the Company draws the statutory reserve fund from the after-tax profits, it may, upon a resolution made by the general meeting, draw a discretionary reserve fund from the after-tax profits.

After the losses have been made up and reserve fund has been drawn, the remaining after-tax profits shall be distributed to shareholders in light of their proportions of shares held, except where the Articles of Association provide otherwise. The Board of a joint-stock company shall formulate a profit distribution plan with reference to the following criteria in light of the cash flow, production and operation and project development, and submit it to the general meeting for approval and implementation.

- (I) If the Company's gearing ratio is below 50%, cash distribution will be made annually in the proportion of not less than 60% of the distributable profit;
- (II) If the Company's gearing ratio is in the range of 50% to 70%, cash distribution will be made annually in the proportion of not less than 40% of the distributable profit;
- (III) If the Company's gearing ratio is above 70%, cash distribution will be made annually in the proportion of no more than 30% of the distributable profit.

Profit distribution is based on the equity ratio formed by the paid-in registered capital of each shareholder, except when resolved by the annual general meeting of the Company (i.e. not subject to the above proportion).

If the Company distributes profits to shareholders in violation of laws and regulations, the shareholders shall return the profits distributed in violation of the provisions to the Company. Shareholders and responsible Directors, Supervisors, and senior management members who cause losses to the Company shall be liable for compensation.

The Company's shares held by the Company shall not be subject to profit distribution.

Reserve fund of the Company is used for offsetting losses sustained by the Company, expanding the Company's production and operation or increasing the registered capital of the Company. The discretionary reserve fund and statutory reserve fund shall be used first to make up the Company's losses; if it cannot be covered, the capital reserve fund shall be used in accordance with relevant

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provisions. When the general meeting resolves to transfer the reserve fund to additional registered capital, it will be distributed in proportion to the shareholders' original capital contribution. When the statutory reserve fund is converted into additional registered capital, the balance of the statutory reserve fund shall not fall below 25% of the Company's registered capital before the increase of the registered capital.

After the profit distribution plan has been resolved at the general meeting, the Board shall complete the dividend (or share) distribution within six months after the holding of the general meeting.

The Company shall appoint one or more receiving agents in Hong Kong for shareholders holding H shares, who shall be responsible for the receipt of dividends declared by the Company and other moneys payable in respect of the H shares and hold such moneys on behalf of such shareholders pending payment to such holders.

Appointment of an Accounting Firm

The Company shall appoint an independent accounting firm which is qualified under the Securities Law and the relevant regulations of China to audit the financial statements, verify the net assets and provide other relevant consultancy services. The term of appointment of the accounting firm shall commence from the conclusion of the annual general meeting until the conclusion of the next annual general meeting. The appointment may be renewed.

The Company's appointment, removal or non-reappointment of an accounting firm must be considered and resolved by the shareholders holding more than one-half of the voting rights of the Company or by an organisation independent of the Company's Board of Directors (e.g., the Board of Supervisors), and the Board of Directors shall not appoint an accounting firm before the general meeting has made its decision. The audit fee of the accounting firm must be considered and resolved by the shareholders holding more than one-half of the voting rights of the Company or by an organisation independent of the Company's Board of Directors (e.g., the Board of Supervisors).

20 days' prior notice shall be given to the accounting firm if the Company decides to remove such accounting firm or not to renew the appointment thereof. The accounting firm shall be entitled to make representations when the resolution regarding the removal of the accounting firm is considered at the general meeting of the Company. Where the accounting firm resigns, it shall make clear to the general meeting whether there is any impropriety on the part of the Company.

Merger, Division, Capital Increase and Capital Reduction

The Company may undergo merger, division, increase or reduction of registered capital in compliance with the law.

The procedures of a merger or division of the Company are as follows:

- (I) the Board drafts a proposal for the merger or division;

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- (II) the general meeting resolves in accordance with the provisions of the Articles of Association;
- (III) parties to the merger or division shall sign a merger or division agreement;
- (IV) the relevant approval procedures shall be completed in accordance with the law;
- (V) handle all matters in relation to merger or division including creditors' rights and indebtedness;
- (VI) complete dissolution registration, change or establishment registration.

Merger of the Company may take the form of absorption or incorporation of a new company. Merger by absorption means that a company absorbing another company and the company being absorbed shall be dissolved. Merger by incorporation means that a merger of two or more companies through the establishment of a new company and the companies being consolidated shall be dissolved. If the price paid for the Company's merger does not exceed 10% of the Company's net assets, approval by resolution of the general meeting is not required, unless otherwise required by the Articles of Association. Where the Company's merger is exempt from approval by resolution of the general meeting in accordance with the preceding provisions, such merger shall be subject to approval by resolution of the Board. In the event of a merger of the Company, the parties to the merger shall execute a merger agreement and prepare a balance sheet and an inventory of assets. The Company shall give notice to its creditors within 10 days of the date of the resolution for merger and shall make an announcement in the newspaper or the National Enterprise Credit Information Publicity System within 30 days of the date of such resolution. A creditor has the right within 30 days of receipt of notice or within 45 days of the date of announcement if notice is not received, to require the Company to settle its debts or to provide a corresponding guarantee for such debt. Upon the merger of the Company, claims and debts of each of the merged parties shall be assumed by the company which survives or the newly established company after the merger.

When the Company is divided, its assets shall be split up accordingly. In the event of a division, the parties to the division shall execute a division agreement and prepare a balance sheet and an inventory of assets. The Company shall notify its creditors within ten days from the date of the Company's resolution to divide and shall publish an announcement in the newspaper or the National Enterprise Credit Information Publicity System within 30 days from the date of the Company's resolution to divide. Debts of the Company prior to division shall be jointly assumed by the companies which exist after the division, except provided otherwise in the written agreement between the Company and the creditors relating to the settlement of debt before the division.

Where the Company is required to reduce its registered capital, it shall prepare a balance sheet and an inventory of assets. The Company shall notify its creditors within 10 days from the date of the resolution for reduction of registered capital and shall publish an announcement in the newspapers recognised by the stock exchange(s) on which the Company's shares are listed or the National Enterprise Credit Information Publicity System within 30 days from the date of such resolution. A

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creditor has the rights, within 30 days after receipt of the notice or, within 45 days of the date of announcement if notice is not received, to demand the Company to repay its debts or to provide a guarantee for such debt. The Company may reduce its registered capital by decreasing its shares in proportion to the number of shares held by the shareholders. The Company may also reduce its registered capital not in proportion to the number of shares held by the shareholders, with only some shareholders participating in the capital reduction while others not participating in the capital reduction. The registered capital of Company after such reduction shall not be lower than the statutory minimum amount of registered capital.

When a company issues new shares to increase its registered capital, shareholders shall subscribe for new shares in accordance with the relevant provisions of the Company Law and relevant laws and regulations regarding the establishment of a joint-stock company for payment of shares.

Dissolution and Liquidation of the Company

The Company shall be dissolved upon the occurrence of the following events:

- (I) a resolution on dissolution is passed by shareholders at a general meeting;
- (II) dissolution is necessary due to the merger or division;
- (III) the Company's business licence is revoked or the Company is ordered to close down or de-registered according to laws;
- (IV) where the Company gets into serious trouble in operation and management and its continuation may cause substantial loss to the interests of shareholders, and no solution can be found through any other channel, shareholders representing more than 10% of the voting rights of the Company may apply to the People's Court to dissolve the Company;
- (V) if the term of operation expires and the general meeting does not decide to extend the term of operation, or if other reasons for dissolution stipulated in the Articles of Association occur. If any of the situations as mentioned in the preceding paragraph arises, a company shall publicize the situations through the National Enterprise Credit Information Publicity System within ten days.

Where the Company is dissolved in accordance with items (I) or (V) above, and it has not distributed the assets to its shareholders yet, it may survive by amending its Articles of Association or upon a resolution of the shareholders' meeting. Amendments to the Articles of Association in accordance with items (I) or (V) above shall be approved by more than two-thirds of the voting rights held by the shareholders present at the general meeting. Where the Company is dissolved in accordance with items (I), (III), (IV) and (V) above, it shall be liquidated, and Directors, being the liquidation obligors, shall establish a liquidation committee within 15 days from the date of occurrence of events giving rise to dissolution. If the liquidation obligors fail to fulfil their liquidation obligations in a timely manner and causes losses to the Company or creditors, they shall be liable for compensation. In

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case no liquidation committee is established within the specified period to commence liquidation, the creditors may apply to the People's Court to designate relevant persons to form a liquidation committee and commence liquidation.

After liquidating the properties of the Company and preparation of a balance sheet and an inventory of assets, if the liquidation committee finds the assets of the Company to be insufficient for the settlement of its debts, the liquidation committee shall apply to the People's Court for a declaration of bankruptcy liquidation in accordance with the law. After the People's Court accepts the bankruptcy application, the liquidation committee shall refer the liquidation matters to the designated bankruptcy administrator.

The liquidation committee shall exercise the following powers during the period of liquidation:

- (I) liquidating the properties of the Company, and preparing the balance sheets and inventory of assets separately;
- (II) informing creditors by a notice or public announcement;
- (III) disposing of and liquidating the ongoing businesses of the Company;
- (IV) settling the outstanding taxes and the taxes incurred from the process of liquidation;
- (V) settling credits and debts;
- (VI) distributing the surplus properties after settling the Company's debt;
- (VII) representing the Company in any civil proceedings.

The liquidation committee shall, within 10 days of its formation, notify the creditors, and shall, within 60 days, make a public announcement on the newspaper recognised by the stock exchange(s) on which the Company's shares are listed or the National Enterprise Credit Information Publicity System. Creditors shall, within 30 days of the receipt of the notice or within 45 days of the release of the public announcement in the case of failure to receive said notice, file their creditors' rights with the liquidation committee. Where creditors file their creditors' rights, they shall explain about the matters related to creditors' rights, and shall provide the evidentiary materials. The liquidation committee shall register the creditors' rights. The liquidation committee may not settle any of the debts of any creditors during the period of filing creditors' rights.

After the liquidation committee has liquidated the assets of the Company and has prepared the balance sheets and inventory of assets, it shall prepare a plan of liquidation, and report it to the general meeting or the People's Court for confirmation. The remaining assets after paying off the liquidation expenses, wages of employees, social insurance premiums and statutory compensation, the outstanding taxes and the debts of the Company may be distributed in proportion to shareholding of the shareholders.

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During the period of liquidation, the Company continues to exist but may not carry out any business operation that is not related to liquidation. The Company's assets shall not be distributed to shareholders before the settlement of debts in accordance with the proceeding provision.

After the completion of the liquidation of the Company, the liquidation committee shall prepare a liquidation report and submit the same to a general meeting or the People's Court for confirmation, and shall file the aforesaid documents with the company registration authority for the purpose of applying for the deregistration of the Company. An announcement of the termination of the Company shall be made.

The members of the liquidation committee shall perform their liquidation duties with loyalty and diligence. If the members of the liquidation committee are negligent in performing their liquidation duties and cause losses to the Company, they shall be liable for compensation. The members of the liquidation committee shall be liable to compensate the creditors in respect of any loss caused by willful or material default.

If the Company is declared bankruptcy pursuant to law, bankruptcy liquidation shall be carried out in accordance with the law regarding enterprise bankruptcy.