

(If there is any inconsistency between the English and Chinese versions of Articles of Association, the Chinese version shall prevail.)

**ARTICLES OF ASSOCIATION**

**OF**

**XINJIANG TIANYE WATER SAVING IRRIGATION SYSTEM**  
**COMPANY LIMITED**

Approved by the annual general meeting dated 26 February 2019

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# Articles of Association of Xinjiang Tianye Water Saving Irrigation System Company Limited

## Chapter 1: General Provisions

Article 1.01 Xinjiang Tianye Water Saving Irrigation System Co., Ltd. is a joint stock limited company established in accordance with the *Company Law, Special Provisions* and other State laws and administrative regulations.

Following approval by *Approval of consent to a change to the establishment of Xinjiang Tianye Water Saving Irrigation System Co., Ltd.* (New Deal letter No. [2003]193), the Company was established on 18th, December, 2003 by means of the overall reorganization was registered with the Administration of Industry and Commerce of Xinjiang Uygur Autonomous Region and obtained a company's business license. The number of the Company's business license is 650000410002177.

The promoter of the company is:  
Xinjiang Tianye (Group) Co., Ltd.  
Shenzhen Litailai Invest Development, Co., Ltd.  
Northwest A&F University  
Institute of Mechanical Science Research  
Guo Shuqing  
Wang Xiaoxian

Article 1.02 The registered name of the company:

Chinese Name: 新疆天業節水灌溉股份有限公司

English Name: XINJIANG TIANYE WATER SAVING IRRIGATION  
SYSTEM COMPANY LIMITED

Article 1.03 Company Domicile: No.36, the North third road, Economic and Technological Development Zone, Shihezi City, Xinjiang

Postal Code: 832000

Telephone No.: (0993)-2623101, 2623106, 2623183

Fax No.: (0993)-2623212

Article 1.04 The legal representative of the Company shall be the chairman of its board of directors.

Article 1.05 The Company is a permanent existence joint stock company.

The rights and responsibilities of the Company's shareholders are limited by the extent of the shares. The Company is responsible for the debts with all of its assets.

The company is a separate legal entity, and shall be under the jurisdiction of and protection of Chinese laws, administrative rules and regulations.

Article 1.06 The Company revised the original regulations (hereinafter refer to "the original company article") of the articles (or "this article") on the extraordinary shareholders' general meeting which was held on June 8th, 2004 and on the annual shareholders meeting which was held on April 15th, 2005 according to the Company Law, Special Provisions, the Essential Clauses and other relevant provision of state laws and administrative regulations.

Article 1.07 The Original Articles of Association of the Company shall become effective on the date of registration of the Company.

This article shall come into effect through the special resolution of shareholders' meeting and after the approval of the department authorized by the state council. After the article of the Company comes into force, the original articles of association of the company will be instead.

Article 1.08 The Company shall establish the Chinese Communist Party Committee of Xinjiang Tianye Water Saving Irrigation System Company Limited (hereinafter referred to as the "Communist Party Committee") in accordance with the Constitution of the Communist Party of China and Company Law. Centering on production and operation activities, the Communist Party Committee shall represent the leadership and political cores to provide directions for, exercise general oversight over and implement the measures for such production and operation activities. The Company shall also establish working bodies to represent the Communist Party, which shall be equipped with sufficient staff. The organizational structure and staffing of the communist party organization are incorporated into the management structure and staffing of the Company, as a result of which, the working capital of the communist party organization is included in the budget of the Company and charged to the Company's management fees so as to safeguard the working capital of the communist party organization.

Article 1.09 The Articles of Association of the Company shall be a legally binding document that regulates the organization and acts of the Company as well as the rights and obligations between the Company and the shareholders and among the shareholders from the date on which they become effective.

Article 1.10 The Articles of Association of the Company shall be binding upon the Company and its shareholders, directors, supervisors, manager and other senior management staff. All the above persons may make claims related to Company matters in accordance with the Articles of Association.

Shareholders may sue the Company in accordance with the Articles of Association of the Company. The Company may sue shareholders in accordance with its Articles of Association. Shareholders may sue shareholders in accordance with the Articles of Association of the Company. Shareholders may sue directors, supervisors, manager and other senior management staff of the Company in accordance with the Articles of Association of the Company.

For the purposes of the above paragraph, the term “sue” shall include the initiation of proceedings in a court or the application of arbitration to an arbitration organization.

Article 1.11 The Company may invest in other companies. However, unless stipulated by the law, the Company shall not be the investor who will be severally liable for the debts of the companies which are invested by the Company.

Article 1.12 According to the State Laws, administrative regulations, the Company has financing or borrowing rights, including (but not limited to) the power of the issuance of corporate bonds, and mortgage or pledge their property.

## **Chapter 2: The business purpose and the business scope of the Company**

Article 2.01 The business purpose of the Company is: abide by the laws of the market, continuously explore for the enterprise mode of operation, drive the Company development by science and technology, make full use of every available resource, develop new water saving appliances and the high-tech water-saving agriculture, and constantly expand the domestic and foreign market share, in order to return to shareholders and the society with good benefits.

Article 2.02 The business scope of the Company shall be in accordance with the items approved by the company registry.

The scope of business of the company include: development and marketing of high and new water saving irrigation technologies; interim testing and marketing of advanced water saving fittings; technology transfer and service

for water saving irrigation; development and utilization of computer application software for water saving irrigation; production and sales of PVC pipelines for water supply, PE pipelines and assemblies, pressure compensatory style drip tape, labyrinth-style drip tape, embedded-style drip tape, agriculture films and drippers; import of scrap copper, scrap steel, scrap aluminum, scrap paper and scrap plastic; recycling and processing of scrap and obsolete plastic; distribution of electrical and mechanical products (other than compact size vehicles), chemical goods (other than dangerous chemical items and highly poisonous items) and agricultural machinery and fertilizers; hydraulic engineering (irrigation and drainage) (Class C); grade one subcontractor for construction of water saving irrigation project (specific scope is subject to quality certificate); business of exporting products and technologies produced by the company itself, business of importing machinery and equipment, parts and components, raw and auxiliary materials and technologies required by the company, other than goods and technologies prohibited from import and export by the State; leasing of mechanic equipment and properties.

Article 2.03 The Company may operate as a wholly owned subsidiary company, holding subsidiary company, equity participation subsidiary company, branch company and representative offices according to the needs of operation and management.

According to the needs of business development, by the approval of relevant government authority, the Company shall adjust the business scope and methods, and set up branches (no matter whether a wholly owned) and/or offices in overseas and the Hong Kong Special Administrative Region, the Macao Special Administrative Region and Taiwan area.

### **Chapter 3: The Shares and the Registered Capital**

Article 3.01 The Company shall have ordinary shares at all times. The ordinary shares issued by the Company include domestic investment shares and foreign investment shares. It may have other kinds of shares according to the need, upon approval by the authorities that are authorized by the State Council to examine and approve companies.

Article 3.02 All the shares issued by the Company shall have a par value which shall be RMB1 for each share.

Article 3.03 The Company may issue shares to investors inside the People's Republic of China and to investors outside the People's Republic of China following approval from the State Council authorities in charge of securities.

For the purposes of the preceding paragraph, the term "investors outside the People's Republic of China" shall refer to investors from foreign countries or from Hong Kong, Macao or Taiwan that subscribe for shares issued by the Company, and the term "investors from inside the People's Republic of China" shall refer to investors inside the People's Republic of China, excluding the above-mentioned regions, that subscribe for shares issued by the Company.

Article 3.04 Shares issued by the Company to investors inside the People's Republic of China and to be subscribed for in RMB shall be referred to as "domestic investment shares". Shares issued by the Company to investors outside the People's Republic of China and to be subscribed for in foreign currency shall be referred to as "foreign investment shares". Foreign investment shares listed outside the People's Republic of China shall be referred to as "foreign investment shares listed outside the People's Republic of China". The shareholders of the domestic investment shares and the shareholders of the foreign investment shares listed outside the People's Republic of China are all ordinary shareholders and have the same obligations and rights.

The foreign currency mentioned in the preceding paragraph refers to the legal tender of other countries or areas which is approved by the Foreign Exchange Department of the State and can be used to pay the share proceeds to the Company.

Article 3.05 The domestic investment shares which are listed in Hong Kong of the Company are referred to as "H shares". The "H shares" are the shares which are approved by Hong Kong Stock Exchange, indicated by RMB and subscribed and traded in Hong Kong dollars.

Article 3.06 When established, the Company issued 317,121,560 shares to the sponsors. Approved by the Examination and Approval Departments which are authorized by the state council, the Company may issue no more than 242.65 million ordinary shares (including excess allotment 31.65 million shares), accounting for about 43% of the total ordinary shares which the Company may issue.

Before the establishment in Hong Kong, the capital structure of the Company is: total number of ordinary shares is 317,121,560. Xinjiang Tianye Co., Ltd. holds 202,164,995 shares, accounting for 63.75% of the total shares which the Company may issue. Shenzhen Litailai Invest Development, Co., Ltd. holds 93,994,831 shares, accounting for 29.64% of

the total shares which the Company may issue. Guo Shuqing holds 9,386,798 shares, accounting for 2.96% of the total shares which the Company may issue. Wang Xiaoxian holds 8,340,297 shares, accounting for 2.63% of the total shares which the Company may issue. Institute of Mechanical Science Research holds 2,410,123 shares, accounting for 0.76% of the total shares which the Company may issue. Northwest A&F University holds 824,516 shares, accounting for 0.26% of the total shares which the Company may issue.

After the establishment in Hong Kong, the capital structure of the Company is: total number of ordinary shares is 519,521,560; Xinjiang Tianye Co., Ltd. holds 202,164,995 shares, accounting for 38.91% of the total shares which the Company may issue. Shenzhen Litailai Invest Development, Co., Ltd. holds 93,994,831 shares, accounting for 18.09% of the total shares which the Company may issue. Guo Shuqing holds 9,386,798 shares, accounting for 1.81% of the total shares which the Company may issue. Wang Xiaoxian holds 8,340,297 shares, accounting for 1.61% of the total shares which the Company may issue. Institute of Mechanical Science Research holds 2,410,123 shares, accounting for 0.46% of the total shares which the Company may issue. Northwest A&F University holds 824,516 shares, accounting for 0.16% of the total shares which the Company may issue. The shareholders of “H shares” (Shareholders of foreign investment shares listed outside the People’s Republic of China) hold 202,400,000 shares, accounting for 38.96% of the total shares which the Company may issue.

On 3rd March, 2008, Shenzhen City Li Tai Lai Investment Development Company Limited transferred its 52,000,000 domestic shares to Guo Shu Qing and its 41,994,831 domestic shares to Wang Xiao Xian. After the transfers, the shareholding structure of the Company shall be: 519,521,560 ordinary shares, of which 202,164,995 shares held by Xinjiang Tianye Company Limited, representing 38.91% of the total issued shares capital of the Company; 9,386,798 shares held by Guo Shu Qing, representing 1.81% of the total issued shares capital of the Company; 8,340,297 shares held by Wang Xiao Xian, representing 1.61% of the total issued shares capital of the Company; 2,410,123 shares held by China Academy of Machinery Science and Technology, representing 0.46% of the total issued shares capital of the Company; 824,516 shares held by Northwest Sci-Tech University of Agriculture and Forestry, representing 0.16% of the total issued shares capital of the Company; and 202,400,000 shares held by the shareholders of H Shares, representing 38.96% of the total issued shares capital of the Company.



On 21 April 2011, Guo Shu Qing (郭書清) and Wang Xiao Xian (王孝先), the promoters, transferred all of their respective 61,386,798 shares and 50,335,128 shares to Xinjiang Tianye (Group) Limited (新疆天業(集團)有限公司). Upon the transfer, the share capital structure of the Company consists of a total of 519,521,560 ordinary shares, of which, 202,164,995 shares is held by Xinjiang Tianye Company Limited (新疆天業股份有限公司), representing 38.91% of the total share capital of the Company; 111,721,926 shares is held by Xinjiang Tianye (Group) Limited, representing 21.51% of the total share capital of the Company; 2,410,123 shares is held by China Academy of Machinery Science and Technology (機械科學研究總院), representing 0.46% of the total share capital of the Company; 824,516 shares is held by Northwest Sci-Tech University of Agriculture and Forestry (西北農林科技大學), representing 0.16% of the total share capital of the Company; 202,400,000 shares is held by shareholders of H Shares (overseas listing foreign shares), representing 38.96% of the total share capital of the Company.

Article 3.07 After the plan for issuing foreign investment shares listed outside the People's Republic of China and domestic investment shares has been approved by the State Council authorities in charge of securities, the board of directors of the Company may arrange for implementation of such plan by means of separate issues.

The Company's plan for separate issues of foreign investment shares listed outside the People's Republic of China and domestic investment shares in accordance with the preceding paragraph may be implemented separately within 15 months of being approved by the State Council Securities Commission (Referred to as "CSRC").

After the approval of state council or the securities supervision and administration institution and the agreement of Hong Kong Stock Exchange, the Company's domestic shares may, in accordance with law, be converted into "H shares".

Article 3.08 Where the Company issues foreign investment shares listed outside the People's Republic of China and domestic investment shares separately within the total number of shares specified in the issue plan, every such issue shall be fully subscribed for in one time. Where special circumstances make it impossible for every such issue to be fully subscribed for at one time, the shares may be issued in several stages, subject to the approval of the State Council Securities Commission.

Article 3.09 The registered capital of the Company shall be RMB519,521,560. If the company issues new shares or exercises the rights of excess capital increasing, the registered capital of the Company shall be adjusted accordingly and shall be submitted to the company examination and approval department and the securities regulatory authority which are authorized by the state council for record.

Article 3.10 The Company may approve capital increases depending on its business and development requirements in accordance with the relevant provisions of the Articles of Association of the Company.

The Company may increase its capital by the following methods:

1. offer of new shares to non-specific investors;
2. rights issue to existing shareholders;
3. allotment of new shares to existing shareholders;
4. other methods permitted by laws and administrative regulations.

The Company's increase of its capital by issuing new shares shall be handled in accordance with the procedures provided for in relevant State laws and administrative regulations after having been approved in accordance with the Articles of Association.

Article 3.11 Unless they are provided by laws and administrative regulations, the shares in the Company may be transferred freely with no lien attached.

#### **Chapter 4: Capital Reduction and Share Repurchase**

Article 4.01 The Company may reduce its registered capital in accordance with the provisions of its Articles of Association.

Article 4.02 When the Company is to reduce its registered capital; it must prepare a balance sheet and an inventory of assets.

The Company shall notify its creditors within 10 days of adopting the resolution to reduce its registered capital and shall publish a public announcement of the resolution in newspapers at least three times within 30 days of the said date. Creditors shall, within 30 days of receiving a written notice or within 45 days of the date of the first public announcement for those who have not received a written notice, be entitled to require the Company to pay its debts in full or to provide a corresponding guarantee for repayment.

The reduced registered capital of the Company may not be less than the statutory minimum.

Article 4.03 The Company may, in the following circumstances, buy back its own issued and outstanding shares following the adoption of a pertinent resolution in accordance with the procedures provided for in its Articles of Association, and submission to and approval by the relevant State authorities:

1. cancellation of shares in order to reduce its capital;
2. merger with another company holding shares in the Company;
3. reward the shares to the employees of the Company;
4. the shareholders request the company to buy-back its shares because of the objections to the Company's merger, division on the shareholders' meeting.

When buying back its issued shares, the Company shall be in according with the provisions of 4.04 and 4.07.

If the Company buys back its shares because of the 1–3 of the preceding paragraph, it shall be subject to the shareholders. After buying back its shares according to the preceding paragraph, if it is in the circumstances of 1, it shall be cancelled within 10 days. If it is in the circumstances of 2 or 4, it shall be transferred or cancelled within 6 days.

In accordance with 3 of the first paragraph, when buying back its shares, the Company shall not exceed five percent of the total amount of the issued shares; The capital used for buying back shall be expensed from the profit after tax of the Company of; The acquisition of shares shall be transferred to the staff and employees within a year.

The company may not accept its own shares as the subject matter of the pledge.

Article 4.04 After the Company is approved by relevant State authorities to buy back its own shares; it may proceed in any of the following manners:

1. making of a buy-back offer in the same proportion to all shareholders;
2. buy-back through open transactions on a securities exchange;
3. buy-back by an agreement outside a securities exchange.

Article 4.05 When the Company is to buy back shares by an agreement outside a securities exchange, prior approval shall be obtained from the shareholders' general meeting in accordance with the procedures provided for in the Company's Articles of Association. Upon prior approval of the shareholders' general meeting obtained in the same manner, the Company may rescind or change contracts concluded in the manner set forth above or waive any of its rights under such contracts.

For the purposes of the above paragraph, contracts for the buy-back of shares shall include (but not limited to) agreements whereby buy-back obligations are undertaken and buy-back rights are acquired.

The Company may not assign contracts for the buy-back of its own shares or any of its rights.

The company shall have the rights to redeemable for buying back shares, such as the buying back without the market or by bidding, the price of which shall not be more than a highest price limit. If is bought back by bidding, then it must put forward the bidding suggestions to all shareholders on the same conditions.

Article 4.06 After the Company has bought back its shares according to law, it shall cancel the portion of shares concerned within the period prescribed by laws and administrative regulations and shall apply to the original company registry for registration of the change in registered capital.

The amount of the Company's registered capital shall be reduced by the total par value of the shares cancelled.

Article 4.07 Unless the Company has already entered the liquidation stage, it must comply with the following provisions in buying back its issued and outstanding shares:

1. where the Company buys back shares at their par value, the amount thereof shall be deducted from the book balance of distributable profit and/or from the proceeds of a fresh share issue made to buy back the old shares;

2. where the Company buy backs shares at a price higher than their par value, the portion corresponding to their par value shall be deducted from the book balance of distributable profit and/or from the proceeds of a fresh share issue made to buy back the old shares; and the portion in excess of the par value shall be handled according to the following methods:
  - (1) where the shares bought back were issued at their par value, the amount shall be deducted from the book balance of distributable profit;
  - (2) where the shares bought back were issued at a price higher than their par value, the amount shall be deducted from the book balance of distributable profit and/or from the proceeds of a fresh share issue made to buy back the old shares; however, the amount deducted from the proceeds of the fresh share issue may not exceed the total premium obtained at the time of issuance of the old shares nor may it exceed the amount in the Company's premium account or capital common reserve amount (including the premiums from the fresh share issue) at the time of buy-back;
3. the sums paid by the Company for the purposes set forth below shall be paid out of the Company's distributable profits:
  - (1) acquisition of the right to buy back its own shares;
  - (2) modification of any contract for buy-back of its own shares;
  - (3) release from any of its obligations under any buy-back contract.
4. after the par value of the annulled shares has been deducted from the registered capital of the Company in accordance with relevant regulations, that portion of the amount deducted from the distributable profit and used to buy back shares at the par value of the bought back shares shall be included in the Company's premium account (or capital common reserve amount).

## Chapter 5: Financial Assistance for the Purchase of Company Shares

Article 5.01 The Company or its subsidiaries shall not at any time provide any financial assistance in any form to purchasers or prospective purchasers of the shares in the Company. Purchasers of shares in the Company as referred to above shall include persons that directly or indirectly undertake obligations for the purpose of purchasing shares in the Company.

The Company or its subsidiaries shall not at any time provide any financial assistance in any form to the above obligators in order to reduce or discharge their obligations.

The provisions of this Article shall not apply to the circumstances described in Article 5.03 of this Article.

Article 5.02 The term “financial assistance” in this Article shall include (but not limited to) the financial assistance in the forms set out below:

- (1) gift;
- (2) guarantee (including the undertaking of liability or provisions of property by the guarantor in order to secure the performance of the obligation by the obligator), indemnity (not including, however, indemnity arising from the Company’s own fault) and release or waiver of rights;
- (3) provision of a loan or conclusion of a contract under which the obligations of the Company are to be fulfilled prior to the obligations of the other party to the contract, or a change in the party to such loan or contract as well as the assignment of rights under such loan or contract; and
- (4) financial assistance in any other form when the Company is insolvent or has no net assets or when such assistance would lead to a major reduction in the Company’s net assets.

For the purposes of this Article, the term “undertake obligations” shall include the undertaking of an obligation by the obligator by concluding a contract or making an arrangement (whether or not such contract or arrangement is enforceable and whether or not such obligation is undertaken by the obligator individually or jointly with any other person) or by changing its financial position in any other way.

Article 5.03 The acts listed below shall not be regarded as acts prohibited under Article 5.01 of this Article:

- (1) where the Company provides the relevant financial assistance truthfully for the benefit of the Company and the main purpose of the financial assistance is not to purchase shares in the Company, or the financial assistance is an incidental part of an overall plan of the Company;
- (2) lawful distribution of the Company's property in the form of dividends;
- (3) distribution of dividends in the form of shares;
- (4) reduction of registered capital, but-back of shares, shareholding structuring, etc., in accordance with the Articles of Association of the Company;
- (5) provision of a loan by the Company within its scope of business and in the ordinary course of its business (provided that the same does not lead to a reduction in the net assets of the Company or that if the same constitutes a reduction, the financial assistance was paid out of the Company's distributable profits); and
- (6) the provision of money by the Company for an employee shareholding scheme (provided that the same does not lead to a reduction in the net assets of the Company or that if the same constitutes a reduction, the financial assistance was paid out of the Company's distributable profits).

#### **Chapter 6: Share Certificates and Register of Shareholders**

Article 6.01 Anonymous type is used in the shares of the Company. The shares of the Company shall include the following main matters:

- (1) The name of the Company;
- (2) The registration date of the Company;
- (3) Types, the value and the represent number of shares;
- (4) The numbers of shares;
- (5) Other matters which are required by the Company Law, the Special Provisions and the Stock Exchange where the shares are listed of the Company.

Article 6.02 The shares of the Company may be transferred, given, inherited and mortgaged according to the relevant laws, regulations and the provisions of the articles.

The transfer of the shares is needed to be entrusted to the company stock registration agencies.

Article 6.03 Shares shall sign by the chairman of the board. If the Stock Exchange where the shares of the Company are listed requires the senior management staff of the Company to sign, then it shall be signed by the relevant senior management staff. The shares shall be effective after sealed by the Company (including the securities company seal) or sealed in the form of printing stamp. Sealing the company seal or the securities company seal shall be authorized by the board of directors. The signature of the chairman of the board and the senior management staff of the Company may also take the form of printing.

Article 6.04 The Company shall keep a register of shareholders, in which the following particulars shall be recorded:

- (1) the name, address (domicile), profession or nature of each shareholder;
- (2) the category and number of shares held by each shareholder;
- (3) the amount paid or payable for the shares held by each shareholder;
- (4) the serial number of the shares held by each shareholder;
- (5) the date on which each shareholder is registered as a shareholder; and
- (6) the date on which each shareholder ceases to be a shareholder.

The register of shareholders is the full evidence to prove the shareholders hold the shares of the company, unless there are opposite evidence.

Article 6.05 The Company may, pursuant to an understanding or agreement reached between the State Council authorities in charge of securities and a securities regulatory organization outside the People's Republic of China, keep outside the People's Republic of China its register of holders of foreign investment shares listed outside the People's Republic of China, and entrust the administration thereof to an agent outside the People's Republic of China. The original copy of the register of shareholders of foreign investment shares listed outside the People's Republic of China shall be kept in Hong Kong.



The Company shall keep at its domicile a duplicate of the register of holders of foreign investment shares listed outside the People's Republic of China. The appointed agent outside the People's Republic of China shall ensure that the register of holders of foreign investment shares listed outside the People's Republic of China and its duplicate are consistent at all times.

When the original and duplicate of the register of holders of foreign investment shares listed outside the People's Republic of China are inconsistent, the original shall prevail.

Article 6.06 The Company shall keep a complete register of shareholders.

The register of shareholders shall include the following parts:

- (1) a register kept at the Company's domicile other than those provided for under Items (2) and (3) of this paragraph;
- (2) the register(s) of holders of foreign investment shares listed outside the People's Republic of China kept in the place(s) of the stock exchange(s) outside the People's Republic of China on which the shares are listed; and
- (3) registers of shareholders kept in such other places as the board of directors may decide necessary for listing purposes.

Article 6.07 The various parts of the register of shareholders shall not overlap one another. The transfer of shares registered in a certain part of the register of shareholders shall not, during the continuance of the registration of such shares, be registered in any other part of the register.

Changes and corrections to each part of the register of shareholders shall be carried out in accordance with the laws of the places where each part is kept.

- (1) The company has been paid 2.5 Hong Kong dollars or the cost which was agreed by the Hong Kong Stock Exchange in order to register the transfer deed of the shares and other files which have relation to the ownership of shares or have affect on the ownership of shares;
- (2) The transfer deed only involves the foreign investment shares which are listed in Hong Kong;
- (3) Transfer deed has paid the stamp taxes which should be paid;

- (4) The relevant shares and the board of directors' reasonably requested proof which can prove the assignor's right to transfer the shares shall be provided;
- (5) If the shares are to be transferred to joint holder, then the amount of the joint holder shall not be more than four; and
- (6) The shares have no prejudice of any lien of the Company.

The foreign capital stocks of company which are listed in Hong Kong need to be assigned in written form using the transfer documentary of normal or general form, or the standard form which is specified by Stock Exchange of Hong Kong, or other forms which could be admitted by the Board; the transfer documentary could be signed by manual sign or, if the transferor or transferee is a settlement institution or its agent, then the documentary could be signed by either manual sign or machine sign. All transfer documentaries must be put in the legal address of the company or other places which may be specified by the Board.

The alteration or correction of all parts of the register of shareholders should be done according to the local law of the place where the register of shareholders is deposited.

Article 6.08 No amendment of registration which is led by the stock transfer could be done on the register of shareholders within 20 days before the general meeting of stockholders or 5 days before the base day when the company deciding the liquidating dividend.

Article 6.09 When the company holding general meeting of stockholders, assigning dividends, settling accounts or doing other things which need to confirm the stock rights, the Board should decide one day as the stock right deciding date, and when the stock right deciding date is finished, the holders of the record are the shareholders of the company.

Article 6.10 Anyone who has objection to the register of shareholders require to record his name on the register of shareholders or delete his name from the register of shareholders could apply for the correction of register of shareholders to the court which has the jurisdiction.

Article 6.11 All shareholders recorded on the register of shareholders or anyone who require to record his name on the register of shareholders could apply to reissue new shares for the lost share (namely "concerned shares"), if his share (namely "original shares") is lost.

If the shareholder of domestic share loses the share and applies to reissue the shares, it should be disposed in corresponding to the regulations of Article 144 of the “Corporation Law”.

If the shareholder of foreign share which is listed overseas loses the share and applies to reissue the shares, it could be disposed in corresponding to the local laws, rules of stock exchange or other relative regulations of the place where stores original copy of register of shareholders of the overseas listed foreign shares.

If the shareholder of H stock loses his shares and applies for the reissue, the shares should fulfill the following requirements:

- (1) The applicant should make an application using the standard form which is specified by the company and attach the notarial certificate or statutory declaration documents. The content of notarial certificate or statutory declaration documents should include the reason of application, the situation and evidence of the share losing and the declaration of no other people may requiring to be recorded as a shareholder for these shares;
- (2) The company has not received the declaration of requiring to be recorded as a shareholder for those shares from anyone other than the applicant before the company decides to reissue the new share;
- (3) If the company decided to reissue new shares to the applicant, the company should publish the announcement of preparing to reissue new shares on the newspaper which is specified by the Board, the period of the announcement should be 90 days, and it should be re-published every 30 days;
- (4) Before the company published the announcement of reissuing the new shares, it should submit a copy of the announcement which is going to be published to its listed stock exchange and could only publish the announcement after the company has received the reply from the stock exchange and confirmed that the announcement has been showed in the stock exchange. The period of the exhibition of the announcement is 90 days;

If the application of reissuing stock is not agreed by the relative shareholders recorded in the register of shareholders, the company should post the copy of the announcement which is going to be published to that shareholder;

- (5) If the 90-day period of announcement showing specified in (3), (4) items has been fulfilled, and the company has not received any objection towards the reissue of the shares, the company could reissue new shares according to the application of the applicant;
- (6) When the company reissues the new shares according to this regulation, it should withdraw the original shares immediately and record the withdrawing and reissue on the register of shareholders;
- (7) All cost for withdrawing original shares and reissue new shares should be paid by the applicant. The company has the right to refuse to do anything before the applicant offers reasonable guarantee.

Article 6.12 After the company reissue new shares according to the articles of association, the name of innocent purchaser who gets the foregoing new shares or shareholders (such as innocent purchaser) who has been recorded as the owner of these shares could not be deleted from the register of shareholders.

Article 6.13 Company has no compensation obligation to the people who is harmed by the withdrawing of the original share or the reissue of new share, unless the party could prove that the company has fraudulent conduct.

### **Chapter 7: Rights and Obligations of Shareholders**

Article 7.01 The shareholder of the company is the people who holds shares of the company legally and his name is recorded on the register of shareholders.

Shareholders enjoy rights and undertake obligations according to the category and portion of the shares they hold; shareholders who hold the same category of share could enjoy the same rights and undertake same obligation.

The company could not exercise any rights, harm the rights attached to the shares using freezing or other methods just because people have not announced to the company about the rights and interests attached to the share which are enjoyed by them directly or indirectly.

Under the situation of joint shareholder, if one of the joint shareholder is dead, then the company should regard other survived people of the joint shareholder as the owner of relevant shares, but the Board has the right to require them to offer the appropriate death certificate for the aim of revising register of shareholders. For the joint shareholder of any shares, only the joint shareholder who ranks the first place has the right to accept stocks of the relevant shares, receive the notice of company, present and

exercise the right to vote on the general meeting of stockholders of the company, and any notice which is sent to that person should be regarded as being sent to all joint shareholders of the share.

Article 7.02 The shareholder of the ordinary share of the company could enjoy following rights:

- (1) Get the dividends and benefit distribution in other forms in corresponding to the held shares (but they do not have the right to participate in the dividend announced later with the prepaid capital);
- (2) Participate in or appoint shareholder agent to attend the general meeting of stockholders and use the voting power;
- (3) Supervise the business operating activities of the company, raise suggestions or inquiries;
- (4) Transfer the share in corresponding to the law, administrative laws and regulations and the rules of articles of association;
- (5) Get relevant information according to the rules of articles of association, including:
  1. Get the articles of association after paying the cost.
  2. After paying reasonable fees, they have the right of looking up and coping:
    - (i) The register of shareholders of all parts;
    - (ii) The personal data of the directors, supervisor and senior managers of the company, including:
      - (a) The present and previous name, alias;
      - (b) Main address (dwelling place);
      - (c) Nationality;
      - (d) The occupation and post of full-time and all other part-time jobs;
      - (e) Identification paper documents and their numbers;
    - (iii) The situation of capital stock of the company;

- (iv) The par value, amount, ceiling price and bottom price of every category of shares repurchased by company since the last account year, and the report about the cost that the company paid for these;
  - (v) The meeting minutes of the general meeting of stockholders.
- (6) When the company is terminated or cleared, they could participate in the distribution of residual properties of the company in corresponding to the portion of share held by them;
  - (7) Other rights which are given by the law, administrative laws and regulations and articles of association.

Article 7.03 The shareholder of the ordinary share of the company should undertake following obligations:

- (1) Observe the articles of the association;
- (2) Pay the share capital according to the share they subscribed and their investment method;
- (3) Other obligations specified by laws, administrative laws and regulations and articles of association.

The shareholder would not undertake the responsibility of any capital stock which is added later except for the conditions which are agreed by the subscriber when subscribing.

Article 7.04 Except the obligation required by the law, administrative laws and regulations or the listing rules of the listed stock exchange of the company share, the controlling shareholders could not make decisions which would harm the interest of all or part of the shareholders using voting power on following problems when exercise their shareholder rights:

- (1) When exempting director, supervisor, they should exercise the responsibility regarding the maximum benefit of the company as the starting point sincerely;
- (2) Approve director, supervisor to deprive company property (for the interest of themselves or others) in any form, including (but not limited to) any chances which are beneficial to the company;

- (3) Approve director, supervisor to deprive the personal rights and interests of other shareholders for the interest of themselves or others) in any form, including (but not limited to) any distribution right, voting power, but not include the corporate reorganization which is submitted to and approved by the general meeting of stockholders according to the articles of association.

Article 7.05 The controlling shareholder in the previous article should be the person who has one of the following conditions:

- (1) When this person acts alone or with others, they could select more than half of the directors;
- (2) When this person acts alone or with others, they could exercise more than 30% (30% included) of the voting power of the company or they could control the exercise of more than 30% (30% included) of the voting power of the company;
- (3) When this person acts alone or with others, they hold more than 30% (30% included) of the outstanding shares of the company;
- (4) When this person acts alone or with others, they actually control the company using other methods.

The “acting in concert” in this article means the action that two or more people reach an agreement by the method of treaty (no matter oral or written), and get the voting power towards the company via anyone of them to achieve or solidify the control towards the company.

Article 7.06 The shares of the company which is held by the initiator could not be transferred within a year since the establishment of the company. The shares which are issued before the public issue of the company share could not be transferred within a year since the date that the shares are listed in the stock exchange.

### **Chapter 8: Shareholders’ General Meeting**

Article 8.01 The general meeting of stockholders is the organ of power of the company, it could discharge the functions and powers in corresponding to the law.

Article 8.02 The general meeting of stockholders could exercise the following functions and powers:

- (1) Decide the business policy and investment plan of the company;

- (2) Select and alter director, decide the reward which is related to the director;
- (3) Select and alter the supervisor which is taken up by the shareholder representative, decide the reward which is related to the supervisor;
- (4) Deliberate and approve the report of the Board;
- (5) Deliberate and approve the report of the board of supervisors;
- (6) Deliberate and approve the annually financial budget plan and final accounting plan of the company;
- (7) Deliberate and approve the profit distribution plan and deficit covering plan of the company;
- (8) Make resolution on the increase or decrease of the registered capital of the company;
- (9) Make resolution on the items such as the corporate combination, corporate separation, the form alternation of the company, dismiss and account settlement of the company;
- (10) Make resolution on the issue of bonds;
- (11) Make resolution on employing accounting firm, terminating the employ or not making further employment of the accounting firm;
- (12) Alter the articles of association;
- (13) Deliberate the proposal from the shareholders who hold more than 3% (3% included) shares alone or jointly;
- (14) Other items which are specified to be deliberated by the general meeting of shareholders by laws, administrative laws and regulations and articles of association. The general meeting of shareholders could authorize or entrust the Board to do the items which are authorized or entrusted.

Article 8.03 If it is not be approved by the general meeting of shareholders in advance, the company could not conclude the contract which make the management of all or important business of the company in the charge of the people other than director, supervisor or senior managers.



Article 8.04 The general meeting of shareholders could be divided into annual meeting of shareholders and temporary meeting of shareholders. The general meeting of shareholders is gathered by the Board. The annual meeting of shareholders should be held once a year and it should be held within 6 months after the finishing of previous accounting year.

The Board should hold temporary meeting of shareholders within 2 months, if there is one of the following situations:

- (1) The number of directors is less than the regulated number of the “Corporation Law” or less than 2/3 of the number required by the articles of association;
- (2) The uncovered deficit of the company reaches 1/3 of the total paid up stock;
- (3) The shareholder who holds more than 10% (10% included) of the share alone or jointly requires to do so;
- (4) When the Board thinks it is necessary or the board of supervisors puts forward to hold the meeting;
- (5) More than 2 independent non-executive directors put forward to hold the meeting;
- (6) Other situations regulated in the articles of association.

Article 8.05 Notices of general meetings, containing the agenda, the date and the venue of the relevant meeting, must be given to all Shareholders listed in the register of members at least 45 days (including the date of such general meeting) prior to the day the relevant general meeting is intended to be held, and in written form or in any other manners as prescribed by the Articles of Association. Shareholders who intend to attend the relevant general meeting must respond, in writing to the Company, 20 days prior to the day the relevant general meeting is intended to be held.

Article 8.06 On the annual general meeting of the company, the shareholders who alone or combined own a total number of more than 3% (3% included) of voting shares in the company, have the right to give a new proposal presented in written form to the Board of Directors 10 days before the date of general meeting of shareholders of the company. And the Board of Directors in the proposal shall mandate these matters and put them on the agenda of the meeting that the general meeting of shareholders is responsible for. General meeting of shareholders shall not make resolutions about things that have not been set out in the above notice.

Article 8.07 According to the written reply received by the company 20 days before the general meeting of shareholders; calculate the number of shares held by the shareholders to be in attendance with voting rights. If the total number of the shares voted at any meeting represented by the shareholders with voting rights can be more than one-second of the total number of voting shares of the whole company, a general meeting of shareholders of the company can be convened; if not, the company shall schedule for consideration of the matter, date and place of the meeting once again and then inform the shareholders with public notices or announcements within 5 days; and by public notice form, the company may convene a general meeting of shareholders. Such notices shall be published in the newspaper.

Notice that the provisional general meeting shall not decide matters that are not contained in the announcements.

Article 8.08 Announcements of the general meeting of shareholders shall meet the following requirements:

- (1) The notice shall be in writing or distributed in any other manners as prescribed by the Articles of Association;
- (2) Specify the place, date and time of the meeting;
- (3) Describe all the matters that will be discussed;
- (4) To make informed shareholders decisions on matters to be discussed, it is required to provide necessarily required shareholders the information and explanations; this principle include (but is not limited to) proposing the merge or repurchase shares or other capital reorganization or restructuring in the company, the contract (if any) and the specific conditions of the proposed transaction shall be provided, as well as careful explanation of their causes and consequences thereafter;
- (5) If any of the company directors, supervisors and senior management staff have great concern with their interest and stakes as for the important matters to be discussed, the company shall disclose the nature and extent of his concerned interest stake; if effects of the matters to be discussed on the directors, supervisors and senior managers are different from those on the shareholder with other categories of effects, the company shall explain the difference;
- (6) The notice shall contain full text of any special resolution to be proposed at the meeting;

- (7) the notice shall be of text that clearly demonstrates that shareholders who are entitled to attend and vote have the right to appoint one or more than one nominee shareholders on behalf of them to attend and vote, and the nominee shareholders don't have to be shareholders;
- (8) State clearly the delivery time and place of the letter of delegation for voting in the meeting;
- (9) The date of determining equity of the shareholders who have the right to attend the meeting; and
- (10) The name and telephone number permanent contact.

Article 8.09 Notices of general meetings shall be given to all Shareholders irrespective of their entitlement to voting rights at general meetings. Such notices shall be given by way of delivery in person or by mail (with postage fully paid) to the relevant Shareholders at their registered address as contained in the register of members. The Company can issue or distribute the aforementioned notices to the Shareholders through the website of the Stock Exchange and of the Company or by email, and does not have to issue or distribute notices in manners as prescribed above, but in any event there shall be no violation of any laws, regulations and listing rules of the place where the Company's Shares are listed. For holders of Domestic Shares, notices of general meetings may also be made by way of announcements.

A relevant notice as aforementioned shall be published on the website of the Stock Exchange and of the Company between the 45th to 50th days prior to the intended date of the relevant general meeting. Holders of Domestic Shares will be regarded as having been notified of the relevant general meeting as soon as the relevant notice is published on the website of the Stock Exchange and of the Company.

After the notice of the general meeting of shareholders having being sent, the Board shall not change the due holding time of the general meeting of shareholders with the exception of force majeure or other causes such as accidents and so on; even there are really great necessity to change the date of the general meeting of shareholders due to force majeure or other unforeseen events, it shall not hereafter change date of determining the equity.

Article 8.10 If there is any accidental omission which has not sent out a informed notice to the person who have the right to obtain such a notice of the meeting, or those who have not receive notice of meeting, the meeting and meeting resolution are not therefore invalid.

Article 8.11 Any shareholders entitled to attend shareholders meeting and have the right to vote, have the right to appoint one or more persons (the person may not be a shareholder) as their nominee or representative shareholders who attend and vote on his behalf. The shareholder representatives may exercise the following rights in accordance with the shareholder delegates:

- (1) Voice of that shareholder in the general meeting;
- (2) Require to poll by ballot on its own or together with others;
- (3) Exercising the right to vote by putting up hands or by ballot, but if there are more than one appointed nominee shareholders, such nominee shareholders can only exercise the right to vote by ballot.

If the shareholders are recognized and defined settlement or clearing house (or its agent) of the Hong Kong legislation, the shareholders can authorize one or more people who they think are suitable for playing as their agents in any general meeting of shareholders or any categories of shareholders meeting to serve as their representative; but, if there are more than one person who get authorized, the authorized book shall contain the involved stock number and type name of each person authorized herein. And the authorized person can represent a recognized clearing house (or its agent) to exercise the rights, as if they were a company's individual shareholders.

Article 8.12 The agent shall be informed of in written form from shareholders which is signed by the client or by the principal authorized agent by shareholders in written form; if the client is a legal entity, the power of attorney shall be sealed affixed with the legal person or signed by a Director or duly appointed agents. The power of attorney shall contain the amount of shares that the agent is to represent. If the agents are the nominee shareholders, the power of attorney shall indicate the representative number of shares of each shareholder.

Article 8.13 The vote power of attorney shall be prepared in the company residence or other places specified in the notice of meeting convening at least 24 hours before the meeting or 24 hours before the specific time of vote. The authorized power of attorney or other documents shall be notarized if it is signed by clients who authorize others with the right of signing. Notarized power of attorney or other authorization documents together with the vote power of attorney at the same time shall be prepared in the company residence or other places specified in the notice of meeting convening.

If the client is a legal entity, the authorized person who is authorized by resolution of the Board of Directors, its legal representative or other decision-making body, can play as a representative to attend the general meeting of shareholders of the company.

Article 8.14 Any forms and content of the power of attorney sent by the Board of Directors to the shareholders of the company to appoint agent of shareholders shall be indicated with free choice of shareholders who can direct and ask their agent to cast an affirmative or a negative vote in accordance with their will, and cast their votes and opinions in the each motion direction as to the matters of the meeting separately. If there are no instructions by the shareholders in the power of attorney, agents can vote by himself with no considering of his shareholder' s will.

Article 8.15 If the clients die before the vote invalidity, loss of capacity for action, withdraw the appointment, withdrawal the signed authorized power of attorney or the relevant has been transferred, as long as company does not receive such a written notice before the start of the meeting which informs it of the nominee of shareholders, then the vote by the shareholder agent according to the instructions power of attorney is still valid.

Article 8.16 Agents when attending the general meeting of shareholders on behalf of shareholders, shall show their own identification and the signed power of attorney that is signed by the client or by the legal representative of the client, the power of attorney (proxies) shall provide the date of issue. The legal person shareholders (except the recognized clearing house or his agent) if delegated its legal representative to attend the meeting, the legal representative shall show their own identification cards and certified copies by the resolutions of the board of directors of the company which appointed the legal representative (other than a recognized clearing house or his agent) of this meeting or certified by other authority or other notarized and certified copies certified and licensed by the company.

Article 8.17 The shareholder resolutions are divided into ordinary and special resolutions of the general meeting.

The ordinary resolutions of the general meeting of the shareholders shall be passed with at least one-second vote of the voting rights held by the attending shareholders (including nominee shareholders).

The special resolution of the general meeting of shareholders shall be passed with the support of at least two-thirds of vote of the voting rights held by the attending shareholders (including nominee shareholders).

When the general meeting of shareholders elects directors and supervisors, it may act according to the company's charter or resolutions of the general meeting of shareholders, and make implementation of cumulative voting system.

Article 8.18 The shareholders (including nominee shareholders) in the process of vote, shall exercise the right to vote according to the shares amounts to which they representative, and each share has one vote right.

Article 8.19 Unless the following persons asking to poll before or after the vote by show of hands, the general meeting of shareholders shall vote by show of hands:

- (1) Chairman of the general meeting of the shareholders;
- (2) At least two shareholders representatives with the voting rights or two shareholders with voting rights;
- (3) One or a number of shareholders (including nominee shareholders) who have over 10% (including 10%) of the right to vote at the meeting separately or combined with consolidation of shares held.

Unless someone offers to poll, the President of the general meeting shall announce the condition of the proposal based on the results of show hands vote, and it will be recorded in the record of the meeting as the basis for the final result without proof of the resolutions adopted by the meeting support or oppose votes or in its proportions.

The requirements of a poll can be withdrawn by the person.

Article 8.20 If matters demanding a poll to resolve is the Election of the President or the suspension of the meeting, it shall immediately vote; other matters that require voting by poll, the President have the right to decide when to hold the vote and the meeting can proceed to discuss other matters. The voting results are still considered to be the resolution adopted by the meeting.

Article 8.21 In the vote, two votes or more than two votes from the shareholders with voting rights of (including their agents or proxies) do not have to treat all the rights to vote as all vote for or against.

If any of the provisions of the listing rules has stated that any shareholders can only abstain from voting, or limit vote rights in support (or oppose) a vote by resolution of shareholders in respect of a matter, if there is any violation of the relevant regulations or restrictions, the cast votes by or on behalf of such shareholders shall not be taken into account.

Article 8.22 when the opposition and the support vote numbers are equal, regardless of vote ways of show of hands or on a poll, the president is entitled to have one vote.

Article 8.23 The following ordinary resolutions of the matter shall be passed by the general meeting of shareholders by:

- (1) the report on the work of the Board of Directors and Board of supervisors;
- (2) the profit appropriation plan and plans for making up losses proposed by the Board of directors;
- (3) The election, appointment, dismissal and remuneration of the members of the Board of Directors and Board of supervisors as well as the method of payment;
- (4) The company's annual budget and final accounts, balance sheet, income statement and other financial reports;
- (5) The annual report; and
- (6) Other matters in addition to which that have been passed by laws, articles of administrative regulations or the other special resolutions.

Article 8.24 The following matters shall be approved by the shareholders' meeting with special resolution:

- (1) The company increases or decreases its capital stocks and issues any kinds of shares, Warrants, or other similar securities;
- (2) Issuing of the company bonds;
- (3) Split-up, merger, dissolution and liquidation and significant purchase or sale of the company;
- (4) Modification of the Articles of Association;
- (5) Resolutions about change of the company form;
- (6) Other matters which is approved by the shareholders' meeting with ordinary resolution that the matters have significant influence on the company and shall be approved with special resolution.



When the company purchases or sells any significant assets, or provides guarantees that exceed 30% of the company's total assets within a year, it shall be authorized by the resolutions made by the shareholder's meeting and adopted by the shareholders representing more than 2/3 of the voting rights of the shareholders who attend the shareholders' meeting.

Article 8.25 Any resolutions approved by the shareholders' meeting shall be in accordance with China's laws, administrative laws and regulations and relevant regulations of these Articles.

Article 8.26 When the board of supervisors or shareholders require to convene an interim shareholders' meeting or separate meeting of classified shareholders, it shall be transacted in accordance with the following procedures:

- (1) The board of supervisors or two or more shareholders who aggregately hold more than 10% (including 10%) of the shares which have voting rights in the meeting to be held can sign and submit a copy or several copies of written request of similar form and content for approval of the board of directors to convene interim shareholders' meeting or separate meetings of classified shareholders, and clarify the topic for discussion. The board of directors shall convene interim shareholders' meeting or separate meeting of classified shareholders as soon as possible after it receives the written request mentioned above. Then above-mentioned shares amount of the shareholders shall be calculated in accordance with the shareholding situation on the day when the shareholders put forward the written request.
- (2) If the board of directors does not issue a notice of convening the meeting within 30 days after it receives the written request mentioned above, the board of supervisors or the shareholders which promote the request can convene the meeting on their own initiative within four months after the board of directors receives the request. The procedure of the convening shall be in accordance with that of the shareholders' meeting which is convened by the board of directors as far as possible.

If the shareholders convene and hold the meeting on their own initiative because the board of directors does not hold the meeting corresponding to the request, the company shall bear the reasonable cost, and deduct the money from the back pay for the directors who are negligent in the performance of duties.



Article 8.27 The shareholders' meeting shall be convened by the board of directors and presided over by the chairman of the board of directors. If the chairman of the board of directors is unable or fails to perform his duties, the meeting shall be presided over by the deputy chairman of the board of directors. If the deputy chairman of the board of directors is unable or fails to perform his duties, the meeting shall be presided over by a director jointly elected by more than half of the directors. If the directors don't elect the chairman of the meeting, the shareholders who attend the meeting can elect one to act as the chairman of the meeting. If the shareholders are unable to elect the chairman of the meeting for any reasons, the shareholder who attends the meeting and holds most voting shares (including the agents of shareholders) shall act as the chairman of the meeting.

If the board of directors is unable or fails to perform the duty of convening the shareholders' meeting, the board of supervisors shall convene and preside over the meeting timely. If the board of supervisors does not convene or preside over the meeting for 90 successive days, the shareholders separately or aggregately holding 1/10 or more of the shares may convene and preside over such meetings on their own initiative.

Article 8.28 The chairman of the meeting is responsible for making the decision whether the resolutions of the shareholders' meeting are approved. His decision is the final decision which shall be announced on the meeting and noted down in the meeting minutes.

Article 8.29 If the chairman of the meeting has any doubts for the resolution result which is made by voting, he can count the vote. If the chairman of the meeting does not count the vote, the shareholders or agents of shareholders who attend the meeting and disagree with the result announced by the chairman of the meeting have the right to request counting of the vote instantly after the announcement and the chairman of the meeting shall count the vote immediately.

Article 8.30 If counting of the vote is carried out on the shareholders' meeting, the result of the counting shall be noted down in the meeting minutes.

The secretary shall make minutes on the shareholders' meeting and the directors who attend the meeting shall sign their names on the minutes.

The resolutions approved on the shareholders' meeting shall be made into summary meeting minutes. The meeting minutes and the summary meeting minutes should be written in Chinese. The meeting minutes along with the signature book of the shareholders attending the meeting and letters of authorization for the agents shall be reserved in the residence of the company.

Article 8.31 The shareholders can consult the copies of the meeting minutes for free in the office hours of the company. If any shareholders ask for copies of relevant meeting minutes, the company shall send the copies within seven days after it receives reasonable fees.

### **Chapter 9: Special Procedures for Resolution on Class Shareholders**

Article 9.01 The shareholders who hold different kinds of shares are classified shareholders.

The classified shareholders have rights and undertake obligations in accordance with provisions of laws, administrative laws and regulations and articles of association.

Article 9.02 When the company plans to change or abolish rights of the classified shareholders, it shall be approved by the shareholders' meeting with special resolution and by the influenced classified shareholders on the shareholders' meeting convened respectively according to the Article 9.04 to Article 9.08 of these Articles before it is carried out.

Article 9.03 The following circumstances shall be regarded as change or abolition of rights of the classified shareholders:

- (1) Increasing or decreasing the amount of the shares of that class, or increasing or decreasing the amount of the classified shares which have equal or more voting rights, distribution rights, and other rights comparing with the shares of that class;
- (2) Converting all or a part of the shares of that class to shares of other classes, or converting all or a part of the shares of another class to shares of that class or authorize it with such conversion rights;
- (3) Canceling or decreasing the rights of acquiring the generated dividend or cumulative dividend of the shares of that class;
- (4) Decreasing or canceling the rights of acquiring dividend preferentially or acquiring preferential distribution of property in the company liquidation of the shares of that class;
- (5) Increasing, canceling or decreasing the shares conversion right, right of choice, voting right, assignment right, preferential right of allotment, and right of acquiring the corporation securities of the shares of that class;
- (6) Canceling or decreasing the rights of collecting the payables of the company in particular currency of the shares of that class;

- (7) Establishing shares of new classes which have equal or more voting rights, distribution rights or other rights comparing with the shares of that class;
- (8) Restricting the conversion or proprietary rights of the shares of that class or increasing such restrictions;
- (9) Issuing stock subscription rights or rights of shares conversion of the shares of that class or another class;
- (10) Increasing the rights and privileges of shares of other classes;
- (11) The company reorganization scheme will cause that shareholders of different classes undertake responsibilities un-proportionately in the reorganization;
- (12) Modifying or abolishing the clauses of this Chapter.

Article 9.04 The influenced classified shareholders, no matter whether they have voting rights originally on the shareholders' meeting, have voting rights on the separate meetings of classified shareholders in respect of the matters of (2) to (8), (11) to (12) in Article 9.03 of these Articles. But the interested shareholders don't have voting rights on the separate meeting of classified shareholders.

The aforesaid interested shareholders are defined as the following:

- (1) When the company sends buy back offers to all the shareholders according to the same ratios or buys back the shares of itself in stock exchange through public means of exchange in accordance with the regulations in Article 4.04 of these Articles, the "interested shareholders" refer to the controlling shareholders defined in Article 7.05 of these Articles;
- (2) When the company buys back the shares of itself outside the stock exchange through the method of agreement according to the regulations in Article 4.04 of these Articles, the "interested shareholders" refer to the shareholders who are relevant with the very agreement;
- (3) In the company reorganization scheme, the "interested shareholders" refer to the shareholders who undertake responsibilities of less ratios than other shareholders of that class or the shareholders who have different interests from other shareholders of that class.

Article 9.05 Resolutions of separate meeting of classified shareholders can only be made when the shareholders who attend the meeting and hold more than 2/3 of shares which have voting rights vote and approve it according to the Article 9.04 of these Articles.

Article 9.06 Notice of a class meeting, containing the agenda, the date and the venue of the relevant class meeting, must be given to all holders of that particular class as listed in the register of members 45 days prior to the day the relevant class meeting is intended to be held, and in written form or in the manners as prescribed by the Articles of Association. Shareholders who intend to attend the relevant class meeting must respond, in writing to the Company, 20 days prior to the day the relevant class meeting is intended to be held.

The company can convene the separate meeting of classified shareholders when the shareholders planning to attend the meeting represent more than half of the total shares of that class which have voting rights on the meeting, or the company shall inform the items to be discussed on the meeting and the date and site of the meeting to shareholders once again through announcement in five days. After the announcement, the company can convene the separate meeting of classified shareholders, and such announcement shall be published on newspaper.

Article 9.07 The notices of the separate meeting of classified shareholders are necessary to be sent only to the shareholders who have voting rights on the meeting.

The separate meeting of classified shareholders shall be held with the same procedures of the shareholders' meeting as far as possible. The relevant clauses about the procedures of the holding of shareholders' meeting in the articles of association are applicable to the separate meeting of classified shareholders.

Article 9.08 Besides the shareholders of shares of other classes, shareholders of domestic shares and overseas listed foreign shares are regarded as shares of different classes.

The following circumstances are not applicable to the special procedures of voting by classified shareholders:

- (1) Approved by the shareholders' meeting with special resolution, the company issues singly or simultaneously domestic shares and overseas listed foreign shares at the interval of 12 months and the amount of the domestic shares and overseas listed foreign shares to be issued don't respectively exceed 20% of the shares of that class which have been issued to public; or

- (2) The plan of issuing domestic shares and overseas listed foreign shares at the establishment of the company is completed within 15 months since the approval date of the Securities Commission of the State Council.

### **Chapter 10: Communist Party Committee**

Article 10.01 The communist party organization of the Company shall consist of one secretary and several members of the Communist Party Committee. Eligible members of the Communist Party Committee may join the Board, the supervisory committee and the senior management in accordance with legal procedures, while eligible communist party members serving on the Board, the supervisory committee and the senior management may join in the Communist Party Committee in accordance with relevant requirements and procedures.

Article 10.02 The Communist Party Committee shall, subject to the Constitution of the Communist Party of China and other party rules, perform the following duties:

- (1) To ensure and supervise the full implementation of the guidelines and policies of the Communist Party and the government throughout the Company, as well as to carry out the major strategic decisions of the Central Party Committee and the State Council, and the relevant important work arrangements of the Communist Party Committee of State-owned Assets Supervision and Administration Commission and the communist party organizations at a higher level.
- (2) To adhere to the principle of the Communist Party exercising leadership over officials in conjunction with the selection of operation managers by the Board and the exercise of the right of appointment by the operation managers in accordance with laws, in which case, the Communist Party Committee shall deliberate and produce opinions on the candidates nominated by the Board and general manager, or recommend nominees to the Board and general manager.
- (3) To study and discuss stable reform and development, management of significant operations, and material issues related to the interests of our staff, and provide advice and recommendations in this regard.
- (4) To assume full responsibility to tighten party governance at all levels, which requires leadership in the ideological and political work, united front work, ethical standard development, corporate culture and trade unions, and affairs of the Communist Youth League at the Company,

leadership in the development of clean and honest practices of the Communist Party, and support the practice and performance by Discipline Committee of its supervisory obligations.

- (5) To strengthen the development of the communist party organization and party members in the Company's grass-roots organizations, and give full play to the communist party branch's role as the fortified defense line and communist party member's exemplary role as the aggressive drivers, so that the management team and employees are united and motivated to pursue the reform and development of the Company.
- (6) Be responsible for other relevant important matters within the organizational scope of the Communist Party Committee.

Article 10.03 In making decisions on major issues, the Board and management shall await the results of collective study and discussion of the communist party organization. The major operation and management matters of the Company shall be studied and discussed by the communist party organization as a whole before being decided by the Board or the senior management.

Article 10.04 The communist party organization's deliberations are generally conducted in the form of meetings. The notice, convening and voting procedures of the meeting shall be carried out in accordance with the relevant provisions of the Communist Party.

### **Chapter 11: Board of Directors**

Article 11.01 The company shall establish a board of directors, and the Board of Directors shall comprise at least seven directors, including at least three independent non-executive directors (refers to directors who are independent from the shareholders of the company and who hold no position in the company, similarly hereinafter).

The board of directors shall have a chairman and a deputy chairman.

The board of directors establishes professional committees such as strategic policy committee, audit committee, compensation committee and etc according to needs.

Article 11.02 The directors are elected by the shareholders' meeting and the term of office of the directors shall be three years. The directors may, after the expiry of their term of office, hold a consecutive term upon re-election.

The shortest time limit of the statement about nominating the candidates for directors, the resumes of the candidates, and the written notices which are sent to the company by the candidates to make clear that they are willing to accept the nomination is at least seven days. The time limit shall be counted from the day no earlier than one day after the issuing of the notice of the convocation of the shareholders' meeting and shall end seven days before the convocation of the shareholders' meeting.

The candidates for directors of the first board of directors are nominated by the initiators and elected by the company establishment conference. The number of the elected directors of each term shall be no less than the number regulated in Article 10.01 of these Articles and no more than the directors' maximum number which is confirmed by the shareholders' meeting with common resolution. If the number of the directors who are approved by the voting exceeds the planned maximum number, the elected directors shall be confirmed according to the planned maximum number of directors in the sequence of the votes they have got.

Abiding by the relevant laws, administrative laws and regulations, the shareholders' meeting can recall any directors whose term of office has not expire with special resolution. (But the reimbursement claim which can be put forwarded according to any contract is not influenced by this). The shareholders' meeting shall not recall the directors without good reasons before their term of office expire.

The chairman and deputy chairman of the board of directors are elected or recalled by more than half of all the directors. The term of office of the chairman and the deputy chairman is three years and they can hold a consecutive term upon re-election after the expiry of their term of office.

When the vacancies of directors don't exceed the number regulated by the "*Company Law*" or is no less than 2/3 of the number required by the articles of association, the office term of any people who are appointed to be directors to fill the interim vacancies of the board of directors shall continue until the next shareholders' meeting is convened. And they have the qualification of re-election and reappointment on the meeting.

The outside directors shall have enough time and necessary knowledge and capacities to perform their duties. When the outside directors perform their duties, the company must provide them with necessary information. Among them, the independent non-executive directors can report situations directly to the shareholders' meeting, the securities regulatory authority of the State Council and other relevant departments.



The executive directors deal with the matters authorized by the board of directors.

It is not necessary for the directors to hold the shares of the company.

Article 11.03 The board of directors is responsible for the shareholders' meeting and exercise the following functions:

- (1) Convening shareholders' meeting and presenting reports to the shareholders' meeting;
- (2) Implementing the resolutions made at the shareholders' meetings;
- (3) Determining the company's business and investment plans;
- (4) Working out the company's annual financial budget plans and final account plans;
- (5) Working out the company's profit distribution plans and loss recovery plans;
- (6) Working out the company's debt policies and financial policies; working out the company's plans on the increase or reduction of registered capital, as well as on the issuance of corporate bonds;
- (7) Working out the company's plans on significant purchase, buying back the shares of the company itself or sale and company's plans on merger, split, change of the company form, or dissolution;
- (8) Making decisions on the establishment of the company's internal management departments;
- (9) Employment or recall of the company's manager; employment or recall of the company's senior management personnel such as the deputy manager, chief financial officer and etc and employment or recall of the secretary of board of directors according to the nomination of the manager, and making decisions on the remuneration and method of payment for the personnel mentioned above;  
  
Appointing or replacing the members of the board of directors and board of supervisors of the wholly-owned subsidiaries; Appointing, replacing or recommending the shareholder representatives, directors and supervisors of the holding subsidiary companies and the joint stock subsidiaries;
- (10) Making decisions on the setting of the embranchments of the company;



- (11) Working out modification scheme of the articles of association;
- (12) Working out the company's basic management system;
- (13) With the exception of the matters which should be resolved by the shareholders' meeting according to the Company Law and these articles, deciding other significant matters and administrative matters of the company and signing other important agreements; and
- (14) Other functions authorized by the shareholders' meeting, laws, regulations, and these articles of association.

When the board of directors makes resolutions on matters mentioned above, the matters of (6), (7), and (11) requires approval of more than 2/3 of the voting directors, while other matters requires approval of more than half of the voting directors.

When the board of directors makes resolutions about the connected transactions of the company, they must be signed by the independent un-executive directors before the resolutions take effect.

Article 11.04 When the board of directors disposes the fixed assets, if the summary of the expected value of the fixed assets to be disposed and the fixed assets which has been disposed within four months before the advice of dispose exceeds 33% of the value of the fixed assets which is revealed in the balance sheet audited by the shareholders' meeting lately, the board of directors shall not dispose or agree to dispose the fixed assets before the shareholders' meeting approves it.

Dispose of the fixed assets in this article includes the assignment of some asset equities, but not includes the actions of providing guaranty with the fixed assets.

The effectiveness of the trade which is carried out by the company to dispose the fixed assets shall be not affected because of violating of the first paragraph of this article.

When the board of directors makes resolutions about market development, merger and acquisition, investment in new field and etc, for the projects the investment amount or merger and acquisition asset amount of which achieve more than 10% of the total assets of the company, the social consulting institution shall be employed for professional opinions which are taken as important basis for the resolutions of the board of directors.

The Board shall hear the opinions of the Communist Party Committee of the Company in advance when deciding major issues of the Company.

Article 11.05 The chairman of the board of directors exercises the following functions:

- (1) Presiding over the shareholders' meeting and convening and presiding over the meeting of the board of directors;
- (2) Organize and perform the duties of the board of directors, and examine the implement of the resolutions of the board of directors;
- (3) Sign the shares issued by the company; and
- (4) Other duties should be granted by the board of directors.

When the chairman is unable to perform his duties, the vice-chairman designated by the chairman performs his duties on his absence; when the vice-chairman is unable to perform his duties, more than half of the board of directors should elect one director to perform his duties.

Article 11.06 The board of directors shall convene at least four meetings every year. (This does not include obtaining the approval of the board of directors by way of passing around the written decisions). The chairman shall convene the meetings and give notices to all directors and supervisors 14 days before the meeting. When emergency occurs, an interim meeting may be convened based on a proposal made by stockholders who represent more than 10% right of voting and also by more than one thirds of the board of directors and the board of supervisors. Then chairman should convene and preside over the board meeting within 10 days after receiving the proposal, without restrictions of notice of meeting in Article 11.07.

In principle the board meeting should be held at the domicile of the company or other places if it is unanimously agreed and decided by the board of directors.

Chinese is the board meeting language. When necessary, translators may attend the board meeting to provide Chinese-English unseen translation.

Article 11.07 The board meeting shall be informed in following manners:

- (1) The time and address of its regular meeting is decided beforehand and it needs no notice to convene.
- (2) If the board meeting has not decide the time and place, the chairman shall give each director a written notice at least fourteen days before the date of the board meeting. The notice shall cover the time and place of the meeting and shall be issued by telex, telegraph, fax, EMS or registered letter, or by appointing a commissioner to inform all the directors. Except there are otherwise stipulations listed in Article 10.06.

- (3) The notice shall be written in Chinese (English version can be attached when necessary), which includes meeting agenda and issues. Any director can give up the right to be informed of the board meeting.

Article 11.08 All the major items that require the decision-making of the board of directors must be notified to all executive directors and external directors (including independent non-executive directors) according to the time fixed by the Article 10.07 of this constitution and carried out in strict accordance with the procedure laid down. At the same time sufficient information shall be provided. Directors may require to be provided with supplementary materials. When more than a quarter of the directors or more than two independent non-executive directors believe that the information is inadequate or unclear, they can jointly declare the deferment of the board meetings or some of the issues that shall be discussed by the board meeting, to which the board of directors shall give approval.

If a director has attended the meeting and raises the objection of having not received the notice of the meeting before the meeting or on his arrival, this shall be deemed as having given him the notice of the meeting.

The regular meeting of the Board or the interim meeting may be held in the form of a conference call or with similar communications equipment. When such a meeting is held, as long as the participating directors can hear the speech of the other directors and communicate with each other, all participating directors shall be deemed to have been presented at the meeting in person.

Article 11.09 The meeting of the Board of directors may held when more than half of the directors (including the directors who appoint other directors by a written power of attorney to attend the meeting on his behalf, according to the Article 10.10 of this Constitution). Each of the directors shall have one vote. The resolution made by the board of directors should be passed by a majority of all directors.

The deciding vote cast by the chairman of the board of directors to resolve a tie. The chairman shall have one more vote when the Yeas and Nays are equally divided.

Article 11.10 The directors shall attend the meeting of the board in person. If a director cannot attend the meeting for some reason, he may entrust another director by a written entrustment, which shall specify the scope of authority.

The entrusted directors shall exercise the power of the directors within authorization. In cases when the director neither personally attends nor entrusts a representative to attend a certain meeting, the directors shall be deemed as having given up the voting right of that meeting.

The expenses incurred by the directors for attending the Board meetings will be reimbursed by the Company. These expenses include the off-site transportation costs from the location of the Board to the venue of the meeting, as well as the board and lodging charge during the meeting. The incidental costs including the rent for meeting room and the local transportation shall also be paid by the company.

Article 11.11 Except otherwise herein provided, the board of directors may replace the Board meeting by a written motion. The draft of the resolution shall be delivered to each of the directors by any of the following ways: commissioners, post, telegraph, and facsimile. If the resolution has been distributed to all directors, and the directors who sign the agreement reach the quorum required for decisions, and then the resolution is sent to the Secretary of the Board by the above-mentioned means, then the resolution shall become the resolution of the board of directors and it is unnecessary to convene the meeting of the Board. The written resolutions are then deemed to have the same legal effect with the resolutions passed through the meetings convened by the board of directors in accordance with the procedures laid down by the relevant articles under this chapter.

But if there are significant conflicts of interests in the matters to be considered by substantial shareholders or the directors on the meetings of the Board, the relative items shall not be dealt with by the circulation of papers or by a committee (except the committee set up particularly for the matter according to the resolution passed through the meetings of the Board), and the meeting of the board must be held on these matters. The independent non-executive directors and their associates who don't have significant interest shall attend relative meetings of the board.

Article 11.12 The board meeting shall record the decisions in Chinese and keep minutes of resolutions on matters discussed at the board meetings or meetings not convened. Views expressed by the Independent non-executive directors shall be stated clearly in the resolution of the Board of Directors meeting. The minutes of each Board meeting shall be provided to all the directors for review as soon as possible. The directors who intend to amend and supplement the records shall propose the changes in written forms to the chairman of the Board within one week after receipt of the meeting. The directors and recorders who have attended the meeting shall sign the records after finalization. The minutes of the Board meeting shall be kept in China, where the residence of the company is located, and a complete copy shall be distributed to each director as soon as possible.

The directors shall be responsible for the resolution of the Board meeting. But a director of the company is liable when the resolution of the meeting of the Board which is in violation of laws, administrative regulations, the articles of incorporation, or the shareholders' meeting resolution and results in severe losses; but proved that the opposition was demonstrated and recorded in the minutes when voting, the certain director may be exempted from liability.

## **Chapter 12: The Secretary of the Company's Board of Directors**

Article 12.01 The company shall have a Secretary of the Board. The Secretary of the Board of Directors is the senior manager of the company. The Board shall set up the working organ for the Secretary of the Board of Directors if needed.

Article 12.02 The Secretary of the Board of Directors of the company is the natural person With the necessary expertise and experience and shall be appointed by the meeting of the board.

Main tasks of the Secretary of the Board of Directors:

- (1) To assist in the daily work of the directors of the Board, and continuously to provide, to remind and to ensure their understanding of the regulations, policies and requirements relevant to the company operation of the domestic and foreign regulatory agencies, and to assist directors and managers to effectively perform the law inside and outside the law, regulations, articles of association and other relevant provisions when exercising powers;
- (2) Responsible for the organization and preparation of the documents related to the meeting of the board and the shareholders' meeting. Keep good minutes and ensure that the policy decisions made by the Council are in line with statutory procedures and master the implementation of the resolutions of the Board;
- (3) Responsible for organizing and coordinating the disclosure of information, coordinating investor relations, and enhancing corporate transparency;
- (4) Participate in the organization of capital market financing;
- (5) Improve public relations and deal with the intermediaries, regulatory authorities, media relations and improve public relations.

The scope of responsibilities of the Secretary of the Board as follows:

- (1) make preparations for board meetings and shareholders' meetings, prepare meeting materials, and arrange the conference. Responsible for the records of meeting notes, the accuracy of the records, and the custody of the conference documents and records. Take the initiative to master the implementation of the resolution. When encountered with important issues of implementation, report and make recommendations to the Board of Directors.
- (2) Ensure that the decisions made on major issues by the Board of Directors shall be carried out in strict accordance with the procedure laid down. According to the request of the Board, participate in consulting and analysis on the Board's decision-making matters and give opinions and recommendations. The secretary shall be entrusted to take the daily work of the Board and its relevant committees.
- (3) as the contact person of the company and the securities regulatory authorities, the Secretary is responsible for organizing the preparation and timely submitting the documents requested by the regulatory authorities. The Secretary is responsible for receiving and organizing to complete the assigned tasks from regulatory authorities and organizations.
- (4) Responsible for the coordination and organization of the disclosure of corporate information. The Secretary shall set up and amplify the information disclosure system, participate in all relevant meetings related to information disclosure, and in a timely manner known to the major business decisions and related information.
- (5) Responsible for the confidentiality of the company's share price sensitive information. Develop the systems and measures of effective confidentiality. Concerning the leakage of sensitive information of the company's share price for a variety of causes, the Secretary shall take the necessary remedial measures in a timely manner to explain and clarify, and inform the overseas listing regulatory agencies and the China Securities Regulatory Commission.
- (6) Responsible for the coordination of the market promotion and visiting reception, handling investor relations, maintain contact with investors, intermediaries and the media, is responsible for coordinating the answers to the questions from the public, ensuring that investors receive timely information disclosed by the company. Prepare the promotion of the propaganda activities inside and outside of the company. Organize a summary report on the activities of the promotion on the market important visiting, and organize the report to the China Securities Regulatory Commission.

- (7) Responsible for the management and preservation of the information of the shareholders which includes the register information, lists of directors, the number of holdings of major shareholders and directors share records, and the outstanding debentures list issued outside by the company.
- (8) Assist the directors and managers of the effective implementation of domestic and foreign laws, regulations, articles of incorporation and other relevant regulations when exercising their powers. The Secretary is obliged to remind timely when knowing that the company has made or maybe have made some decisions violating the resolutions of the relevant provisions. Also the Secretary has the right to reflect the situation to the China Securities Regulatory Commission and other regulatory agencies according to the facts.
- (9) coordinate the necessary information and materials which shall be provided to the company's board of supervisors and other audit bodies. Assist the investigation about whether the chief financial officer of the company and company directors fulfill their fiduciary duty.
- (10) Perform the powers granted by the board of directors as well as the other powers required by the Stock Exchange overseas.

Article 12.03 the company director or other senior management personnel may serve as the Secretary of the Board of Directors. The accountants from the accounting firms hired by the company shall not concurrently serve as the Secretary of the Board.

When a company director from the board members is concurrently the Secretary of the Board of Directors, he shall not conduct a behavior with two positions when an action shall be conducted separately by a company secretary of the Board and a Board of Director.

Article 12.04 The Secretary of the Board shall comply with the relevant provisions of this Constitution and discharge their duties diligently.

Secretary of the Board should assist companies to comply with China's relevant laws and the rules of the Stock Exchange rules where company shares are listed.

### **Chapter 13: General Manager of the Company**

Article 13.01 The company shall have a manager, nominated by the chairman of the board of directors. The Board is in charge of the appointment or dismissal of the manager and the manager shall be accountable to the Board.



Company shall have a number of assistant managers, a chief financial officer to assist the manager's job. Deputy Manager, Chief Financial Officer are nominated by the manager. The board of directors is in charge of the appointment or dismissal.

Article 13.02 The manager of the company is responsible for the Board and exercises the following powers:

- (1) Presided over the company's production and operation management, organize the implementation of board resolutions and report to the Board;
- (2) Organize the implementation of annual business plans and investment programs;
- (3) The company's long-term development plans and annual investment plans, annual production and operation plans, the draft program of the annual financial budget and final accounts, the drafts of the after-tax profit distribution and of the plans for recovery of losses to make an application for the review of the Board;
- (4) Prepare plans for its branch offices;
- (5) Draw up the setting programs and basic management systems in the company's internal management structure. Responsible for the organization and implementation after being approved by the Board;
- (6) Develop the basic rules and regulations of the company;
- (7) Responsible for the appointment or dismissal of deputy managers, Chief Financial Officer;
- (8) The board of the directors or the management personnel is responsible for the appointment, deployment, or dismissal;
- (9) determine the employees of the company's rewards and punishments, relegation, pay rise and pay cut, the appointment, employment, dismissal, discharge; and
- (10) Articles of association and other authority granted by the board of directors.

Article 13.03 The manager of the company shall attend the meetings of the Board as a non-voting delegate and the manager shall have the right to receive notices of meetings and related documents; non-executive Directors at Board meetings do not have voting rights.



Article13.04 When exercising their powers, the manager, assistant manager, chief financial officer, shall neither change the resolution of the shareholders' meeting and the meeting of the Board nor exceed the authorization limits.

Article13.05 When exercising powers, the manager, assistant manager, chief financial officer shall fulfill the good faith and diligence obligations in accordance with the provisions of the laws, administrative regulations and articles of association.

Article13.06 The resignation: the Manager, Deputy Manager, Chief Financial Officer and other senior managers shall give a written notice to the board of directors three months in advance. The Department Manager shall give written notice to manager two months in advance.

#### **Chapter 14: Supervisory Committee**

Article 14.01 A Supervisory Committee will be established. Supervisory Committee is a common organization to supervise the operation of the company. The main duty is to supervise the board meeting and its members as well as the senior managers president, vice president, financial president, to prevent them from abusing their authority and violating the legal interest of the share holders, company and company staff.

Article 14.02 Supervisory Committee shall comprise no less than three members. External Supervisors (refers to supervisors who hold no position in the Company, similarly hereinafter) shall account for half or more of the members of the Supervisory Committee, including one or more Independent Supervisors (refer to supervisors who are independent from the shareholders of the Company and who hold no position in the Company, similarly hereinafter).

There is one president in the supervisory board. Three years in each term and can be re-selected.

The appointment of the president shall be approved by over 2/3 members of the board. The president of the supervisory board execute the supervisory responsibilities.

Article 14.03 One-third or more of the members of Supervisory Committee shall be employees' representatives and the rest shall be shareholders' representatives. Supervisor acting as shareholders' representative shall be appointed and removed by general meeting of shareholders and supervisor acting as employees' representative shall be appointed and removed by voting by employees.

As required, the supervisory will set a working organization to deal with the daily works of the board.

Article 14.04 The board meeting members as well as the senior managers such as president, vice president, financial president shall not take office in the supervisory board.

Article 14.05 Supervisory Committee shall meet at least once every 6 months. Chairman of the committee is responsible to call for the meeting. Supervisors can request for the meeting.

Article 14.06 The Board of Supervisors are responsible for general meeting of shareholders and according to law, perform the following duties:

- (1) Check the finance of the company;
- (2) Supervise the behavior when company directors and higher managers perform the company posts and offer a recalling proposal to the directors and company directors violating laws, administrative regulations, articles of association or shareholder meeting, resolution;
- (3) Ask the forgoing persons to correct when the behavior of directors and higher managers harm the interest of the company;
- (4) Check such financial information as financial statement, business report and profit sharing plans which board of directors intends to submit to general meeting of shareholders. Entrust what is found doubtful to Certified Public Accountant and Practice Auditor to help re-check on behalf of the company;
- (5) Propose holding the extraordinary general meeting and call up and take charge of shareholders' meeting when board of directors do not perform the responsibility of calling up legally required and taking charge of shareholders' meeting;
- (6) Negotiate with directors on behalf of the company or sue directors and higher managers pursuant to the law;
- (7) Submit proposals to shareholders' meetings;
- (8) The other authorities regulated in articles of association.

Supervisory Committee shall give advice to the accounting firm hired by the company. When necessary, check corporate finance independently on behalf of the company by entrusting other accounting firms and report the condition to the securities regulatory body under the State Council and the other branches directly.

Outside supervisors should report the integrity of the company's senior managers and the diligent and duteous performance to general meeting of shareholders independently. Supervisors shall participate in board meeting.

Article 14.07 Supervisors in person shall attend meeting of the board of supervisors. Supervisors unable to attend, can come forward to appoint other supervisors on their behalf, and power of attorney shall set forth authorization scope.

The proxy supervisor shall exercise its rights within the scope of authorization. Supervisors with non-attendance or no proxy shall be deemed to have give up the rights to vote at the meeting.

Article 14.08 The board of directors shall record all the proceedings under discussion and the present supervisor shall sign their names herein.

Supervisors shall be responsible for the resolution of the board of supervisors. Where the resolutions of the board of supervisors violate the laws, administrative rules and regulations or the Articles of Association, and have caused damage to the Company, supervisors involved in the resolution shall be liable to pay compensation to the Company, supervisors involved in the resolution shall be liable to pay compensation to the Company; supervisors who show objection in voting process and record shall be exempted from liability.

Article 14.09 Meeting of board of supervisors shall be held with an attendance more than two-thirds of supervisors. Each supervisor shall have one vote. In time of the opposing vote equals with the affirmative vote, chairman of the board of supervisors shall have one more vote.

The resolution of the board of supervisors requires the approval of more than two-thirds of the total member of the board of supervisors.

Article 14.10 The Company shall assume the reasonable expense on the exercise of the rights of board of supervisors to appoint lawyers, Certified Public Accountants and executive auditors.

Article 14.11 Supervisors shall faithfully carry our oversight responsibilities in accordance with the provisions by laws, administrative rules and regulations and the Articles of Association.

## **Chapter 15: Qualifications and Obligations of the Company's Directors, Supervisors and Senior Management Personnel**

Article 15.01 People shall not act as the directors, supervisors and senior management personnel with one of the following circumstances:

- (1) People with no civil capacity or limited civil capacity;
- (2) Because of embezzlement, bribery, property occupation, diverted property crime or destruction of social economic order crime, people who are sentenced to punishment and the execution expires is not exceeding five years or because of crime people who are deprived of political rights and the execution expires is not exceeding five years;
- (3) People who are acting the factory directors and managers or the directors of the enterprise and the companies that are bankrupt because of bad management, and have the individual responsibility for the bankruptcy of the enterprise and the company, in addition, it is less than 3 years since the end of the day when the company and the enterprise are bankrupt and liquidated;
- (4) People who are acting the legal representatives of the enterprise and the company whose business license is revoked because of violation and having the individual responsibility, in addition, it has been less than 3 years since the day of revocation of the business license of the company and the enterprise;
- (5) The large amount of the negative debt that the individual has which is overdue;
- (6) People who are facing the criminal law and put on case and investigated by the judicial organ, in addition, the case have not been completed;
- (7) The laws and the administrative rules and regulations stipulate the people who cannon leaders of enterprises;
- (8) The unnatural persons;
- (9) People who are identified by the relative appropriate agency as violating the rules of the relevant securities regulations, and who are involved in a fraud or dishonest behavior, and it has been not more than five years since the date of the ruling.

Article 15.02 The act of the company directors and senior management personnel on behalf of the company that has the effectiveness of the third party will not be affected because of any non-complied behavior in the qualification or the election or taking office.

Article 15.03 Apart from the obligation required by the laws and administrative rules and regulations or the lifting rules of the stock exchange in the company stock exchange, the company directors, supervisors and senior management personnel also shall be responsible as the following obligations for each shareholder in the exercise of their functions and powers from the company:

- (1) The company may not go beyond its business range provisioned by the business license;
- (2) They shall sincerely act with the company's largest interests as the starting point;
- (3) They must not deprive the properties of the company in any forms, including (but not limited to) good opportunities for the company;
- (4) They shall not deprive the individual rights of shareholders, including (but not limited to) division and voting rights, but not including the company restructuring submitted through the shareholders' meeting according to the articles of the company.

Article 15.04 When the directors, supervisors and senior management personnel of the company are responsible for the exercise of its rights or performing its obligations, the cautiousness, diligence and performance skills of a reasonable and cautious people in the situations should be considered as the behavior that it should be.

Article 15.05 When the directors, supervisors and senior management personnel in the company perform the duties, they must abide by the principle of good faith and should not get in the situation where their own benefits and the obligations may potentially conflict. This principle includes (but not limited to) performing the following obligations:

- (1) They should sincerely act taking the company's largest interests as the starting point;
- (2) When they perform the power within the scope of the power, their functions shall not be excessive;

- (3) When they personally perform the endowed deliberate solving right, they may not be manipulated; and they shall not change the deliberate solving right to others without the approval of the laws, the allowance of the administrative rules or the agreement of the knowledge of the shareholders' meeting;
- (4) They shall be equal to other shareholders who are in similar class and fair for shareholders of different categories;
- (5) They shall not conclude the contract, trading or arrangement with the company except the other articles prescribed by the company or the other approval by the shareholders' meeting when they are known;
- (6) They shall not seek profits for his own with any forms by the company property without the agreement of the acknowledge of the shareholders' meeting;
- (7) They may not use the power of the function to take the bribe or other illegal income, and they must not encroach the properties of the company in any forms, including (but not limited to) good opportunities for the company;
- (8) They shall not accept the commission without the agreement of the acknowledgment of the shareholders' meeting;
- (9) They shall comply with the articles of association, faithfully perform their duties, safeguard the interests of the company, and shall not use its standing in the company and the authority for his private gain;
- (10) They shall not compete with the company in any form without the agreement before the acknowledgment of the shareholders' meeting;
- (11) They shall not be allowed to misappropriate the company funds or lend the corporate capital to other people; they shall not open the storage account with personal name or others'; at last they shall not provide the company properties for security for the company's shareholders or other personal debt;
- (12) They shall not divulge the confidential information related with the company obtained within the terms without the agreement before the acknowledgement of the shareholders' meeting; they shall not make use of this information unless the interests of the company is taken as the purpose; But, in the following circumstances, they can disclose the information to court or other competent government agencies:
  1. the law has a regulation;

2. the public interests have requirements;
3. the directors, supervisors, managers and other senior management personnel themselves have interests' requirements.

Article 15.06 The directors, supervisors and senior management personnel in the company shall not let the following personnel or institutions (“the related”) to make the directors, supervisors and senior management personnel do something that they cannot perform:

- (1) The spouse or minor children of the directors, supervisors and senior management personnel in the company;
- (2) The directors, supervisors and senior management personnel in the company or the trustee of the personnel referred in paragraph (1);
- (3) The directors, supervisors and senior management personnel in the company or the partner of the personnel referred in paragraph (1) and (2) of paragraph;
- (4) The company controlled alone by the directors, supervisors and senior management personnel in the company in fact, or the companies in fact joint controlled by the person mentioned or other directors, supervisors and senior management personnel in the company in paragraph (1), (2) and (3);
- (5) The controlled company directors, supervisors and senior management personnel referred in paragraph (4).

Article 15.07 The obligation and good faith of the directors, supervisors, managers and other senior management personnel in the company does not necessarily come to the end when his term ends, the duty for confidentiality of the company business secret are still effective after the term ends. The duration of the other obligations should be based on the principle of fairness, which depends on the length of time between the time when the incident happens and when the people leave, and in what circumstances and conditions the relationship with the company is over.

Article 15.08 The responsibilities of the directors, supervisors and senior management personnel in the company because of the violation of a specific obligation can be lifted under the condition in which the shareholders' meeting are known, but except the circumstances prescribed in article 7.04 in the construction.



Article 15.09 When the directors, supervisors and senior management personnel in the company directly or indirectly have important interests with the contract, transaction and arrangement planned or concluded with the company (except the employment contract of the company and the directors, supervisors and senior managerial personnel), no matter whether the related matters in normal circumstances need the approval and agreement of the board of directors, they all ought to disclose the nature and extent of the stake to the board of directors as soon as possible.

When the resolution in the board of directors meeting and the director have conflict matters in interests, the director should be avoided, and shall not vote; when we make sure whether there are the number of the directors present at the meeting legally complying with numbers, the director also cannot be counted.

When directors and the matters about resolutions of the meetings of the board of the enterprise are involved, they should not exercise their voting rights at the resolution, and shall not exercise their voting rights instead of other directors. The number of the unrelated directors with the things that are present at the meeting of the board is just more than half, and the resolution passed though the board of directors meeting must be approved by the unrelated directors of more than half in all. If there are less than 3 unrelated directors attending the board of meeting, the matter should be submitted to the shareholders' meeting for further review.

Unless the directors, supervisors and senior management personnel in the company that have interests with the company the matters have disclosed to the board of directors in accordance with the requirement of the preceding paragraph and the board of directors does not count it into its quorum, and also has not approved the items in the vote on the conference, the company shall have the right to cancel the contract, trading or arrangement; But except the case in which the other party is unknown about the violating obligations for the behavior of the directors, supervisors and senior management personnel in the company that are parties of goodwill.

If the directors, supervisors and senior management personnel in the company have matters with a contract, trading and arrangement, persons related with the directors, supervisors and senior managers of the company should also be regarded as a concern.

Article 15.10 If the directors, supervisors and senior management personnel in the company notice the board in the written form before they firstly consider the relevant contract, trading and arrangement, which says because of the content in the notice, the contract, transactions and arrangements the company gets in future has concerns, then within the scope of the clarified notice, persons



related with the directors, supervisors and senior management personnel in the company are also regarded as the disclosure of the proceeding article in this chapter.

Article 15.11 The company may not pay taxes for its directors, supervisors and senior managers by any means.

Article 15.12 The company may not directly or indirectly provides loans and loan guarantees for the directors, supervisors, managers and other senior management personnel in the company and its parent company; also they can also not provide loans and loan guarantees for the proceeding related people of the personnel.

The proceeding provisions shall not apply to any of the following circumstances:

- (1) The company shall provide its loans for the subsidiary or provide the loan guarantees for the subsidiary;
- (2) According to the contract of employment approved by the general shareholders' meeting, the company provides the directors, supervisors, managers and other senior management personnel of the company with loans, loan guarantee or other payments, to pay the expenses for the purpose of the company or that occurred in order to perform his duties in the company;
- (3) If the company's normal business scope includes providing loans, loan guarantee, and the company can provide loans for the directors, supervisors, managers and other senior management personnel in the company and the related people and loan guarantees, but the conditions for the provisions of loans and the loan guarantees shall be normal business conditions.

Article 15.13 When the company violates the proceeding provisions of article and loans, no matter how its lending conditions are, people who receive the payment shall immediately reimburse.

Article 15.14 The company violates the loan guarantee provided in the provisions of the first paragraph in the article 14.12 of the constitution shall not be executed in the company compulsorily; except the following:

- (1) People who provide the loans do not know when they provide loans for the relevant people in the company or its parent company directors, supervisors, managers and other senior management personnel;

- (2) The collateral offered by the company has been sold to the goodwill buyers by the lender legally.

Article 15.15 The alleged guarantees in the foregoing provisions of the Articles include the behaviors of the guarantor's assuming responsibility or providing property to ensure that the obligor to fulfill their obligations.

Article 15.16 Where the directors, supervisors and senior management personnel violate laws, administrative rules, regulations or the provisions in the Articles of Association in time of performing its duty hereof and has caused damage to the Company, it shall honor indemnity liability. Where the directors, supervisors and senior management personnel violate their obligations toward the Company, except the rights and remedies of provisions by law and administrative rules, the Company shall have rights to take the following measures:

- (1) Requiring the relevant directors, supervisors, senior management personnel to compensate for the losses caused by its dereliction to the Company;
- (2) Cancelling any contract or transaction concluded by the company and relevant directors, supervisors, senior management personnel, and by the Company and a third party (Where the third party knows or ought reasonably to know that the directors, supervisors, senior management personnel on behalf of the Company violate their obligations toward the company);
- (3) Requiring the relevant directors, supervisors, senior management personnel to hand over the proceeds due to the breach of obligations;
- (4) Recovering the fund received by the relevant directors, supervisor, senior management that should have received by the Company, including (but not limited to) the commission;
- (5) Requiring the relevant directors, supervisor, senior management personnel to return the interested earned or possibly earned by the fund that should be handed over to the Company.

Article 15.17 The Company shall enter into a written contract with the directors, supervisors, senior management personnel on the remuneration matters and shall be approved by the general meeting beforehand. The aforementioned remuneration matters include:

- (1) Remuneration for the directors, supervisors, senior management personnel;

- (2) Remuneration for the directors, supervisors, senior management personnel of its subsidiaries;
- (3) Remunerations for providing other services to the management of the Company and its subsidiaries;
- (4) The compensation payments for the director or supervisor for the loss of office or retirement.

In addition to the above contract, directors, supervisors shall not file a suit toward the Company for their should-be-obtained interests aforementioned.

Article 15.18 The Company shall provide in the remuneration contract with directors and supervisors in time of an acquisition, the directors and supervisors shall have the rights to obtain compensation and other payments due to loss of office or retirement under the condition of prior approval of the general meetings of shareholders. The Company shall be acquired, aforementioned in the Articles, in one of the following conditions:

- (1) Anyone to make a takeover offer to all the shareholders;
- (2) Anyone who makes a takeover offer designs to make the offeror the controlling shareholder. The definition of controlling shareholder means the same with the one mentioned in Article 7.05.

If relevant directors and supervisors do not comply with the provisions of this Article, any fund received shall be owned by the one who sells its shares on the acceptance of the aforementioned offer; the directors, supervisors shall bear the costs incurred by the fund derived from proportional distribution, the fee shall not be deducted from such fund.

Article 15.19 Directors can submit the resignation before the expiry of their term. The directors shall submit a written resignation to the Board.

If the number of Board of Directors becomes less than the quorum due to the resignation, the former director shall fulfill the directorship in accordance with the provisions of laws, administrative regulations and the Articles of Association before a new director's assuming the office.

Article 15.20 On the occasion that the General Meetings of Shareholders requires directors, supervisors and senior management personnel attend the meeting, the directors, supervisors and senior management personnel shall attend and accept the questions of the shareholders.

Directors, senior management personnel shall truthfully provide relevant information and materials to the Board of Supervisor, and shall not prevent the Board of Supervisors or the supervisors from discharging their duties.

Article 15.21 Where the directors and senior management personnel violate laws, administrative rules, regulations or the provisions in the Articles of Association in time of performing their duty hereof and has caused damage to the Company, the shareholder who holds one percent or more of the shares separately or aggregately in a continuous 180 days can submit a written request to the board of supervisors to take proceedings; Where supervisors violate laws, administrative rules, regulations or the provisions in the Articles of Association in time of performing their duty hereof and has caused damage to the Company, the aforementioned shareholders can submit a written request to the board of supervisors to take proceedings.

On the conditions that the board of supervisors or the board of directors refuse to prosecute an action after receiving the written request in the former Article, or do not take an action within 30 days, or if urgent situation, without a immediate proceedings the Company interests will be irreparably damaged, the shareholders in the former Article shall have the right to sue to the people's court in their own name.

Others infringe the Company's legitimate rights and interests and have caused damages to the Company; the shareholders can sue to the people's court in accordance with the former two Articles.

## **Chapter 16: Financial Accounting System and Profit Distribution**

Article 16.01 The Company shall formulate the financial accounting system in accordance with laws, administrative rules and the provisions of the finance department of the State Council.

Article 16.02 The Company's fiscal year shall adopt Gregorian calendar year starting from Calendar January 1 and ending on December 31.

The Company shall adopt RMB as its functional currency, with its accounts written in Chinese.

The Company shall make financial accounting report at the end of each fiscal year, and the report shall be audited by accounting firms.

Article 16.03 Board of directors shall, in every annual general meeting, submit the financial report in accordance with regulatory documents issued by laws, administrative rules, local governments and competent authorities. Those reports shall be subject to verification.

Article 16.04 The Company shall place a copy of the annual report in the office of the Company 20 days before the date of annual general meeting for inspection by shareholders. Every shareholder of the Company is entitled to obtain a copy of the aforesaid annual report.

The Company shall, 21 days prior to the intended date of an annual general meeting of the Company, send a copy of the aforementioned reports of the Company by post (with postage fully paid) to every holder of foreign listed shares at their respective registered address as contained in the register of members of the Company, provided that there shall be no violation of any laws, regulations and listing rules of the place where the Company's Shares are listed, the Company can issue or distribute the aforementioned financial reports of the Company to the Shareholders through the website of the Stock Exchange and of the Company or by email, without following the issuing or distributing manners as prescribed above.

Article 16.05 The Company's financial statements shall be formulated in accordance with Chinese accounting standards and regulations, and shall also be in accordance with international or overseas listing accounting standards. The significant differences occurring in accordance with the two accounting standards shall be classified in the financial statement. The Company shall, in time of allocating profit of the after-tax profit of the relevant fiscal year, take the statement with lower after-tax profit as final.

Article 16.06 The Company's announcement or disclosure of interim results or financial information shall be formulated in accordance with Chinese accounting standards and regulations, and shall be in accordance with international or overseas listing accounting standards.

The Company shall disclosure its financial position, operations and significant litigation, according to the regulations of the law, administrative laws and listing rules.

Article 16.07 The Company shall formulate annual report of each fiscal year respectively at least in compliance with the Listing Rules, and shall make an announcement within 3 months after the fiscal year. The Company shall formulate interim report of first six months of each fiscal year at least in compliance with the Listing Rules, and shall make an announcement within 45 days after that period. The Company shall formulate quarterly report of the first 3 months and 9 months of each fiscal year at least in compliance with the Listing Rules, and shall make an announcement within 45 days after that period.

Article 16.08 The Company shall no establish other accountant book except the prescribed one.

Article 16.09 The Company shall, in time of allocating profit of the after-tax profit of the same year, withdraw 10% of the profit and list it as legal reversed fund hereof. Where the cumulative legal reserved fund exceeds 50% of the registered capital hereof, it may not be withdrawn any more.

Where the legal reserved fund fails to cover the loss of the previous year, the annual profit of the same year shall, prior to the withdrawal here of in accordance with the provisions of the preceding paragraph, cover the loss.

The Company may, after having withdrawn legal reserved fund and the approval of the shareholders conference, withdraw any reserved fund form the after-tax profit. The remains of the after-tax profit shall, after having covered loss and withdrawn reserved fund, be allocated in accordance with the proportion of the shares.

Concerning the exercise of the right to terminate the dividend warrants sent by post, if the dividend warrant has not been in cash, the rights can only be exercised after the warrant's not in cash twice in a row. Whereas, the exercise of the right becomes available when the dividend fails to be delivered to the recipient and returned.

Concerning the exercise of the right to sell the shares of shareholders failed to contacts, unless the following provisions fulfilled, the rights shall not be exercised: (i) the relevant shares have been distributed at least three dividends in a successive of 12 years; (ii) the Company, after 12 years term, illustrates its intention to sell the shares on a newspaper advertisement, and inform the Stock Exchange of Hong Kong Limited.

If exercising the right to confiscate the undrawn dividends, the rights become valid after the expiry of the applicable period.

Article 16.10 The Company shall not distribute dividends or other form of bonus allocation before covering the loss and withdrawing the legal reversed fund.

Article 16.11 The capital reverse fund shall include the following items:

- (1) The premium section exceeding the sum of the stock per value;
- (2) Other income of the capital reverse fund in accordance with the regulations of the finance department of the State Council.

Article 16.12 The reversed of the Company shall only be used for covering loss, extending business operation or transforming to its increased capital. However, the reversed fund shall not be used for covering the loss of the company.

Where the legal reserved fund is transformed to capital, new shares shall be distributed according to their share proportion or stock per value shall be increased. However, the retained reversed fund shall not be less than 25% of the registered capital prior to its transfer and increase.

Article 16.13 The Company shall take the following forms for distribution of dividends:

- (1) Cash;
- (2) Shares.

Article 16.14 The Company shall pay the domestic shares cash dividends and other payments in RMB. The Company shall pay the overseas listed foreign shares cash dividends and other payments denominated and declared in RMB, paid in HK. The Company shall pay foreign currency used for cash dividends and other payments to overseas listed foreign shareholders in accordance with provisions on foreign exchange management.

Article 16.15 Except for other provisions by relevant law and administrative regulations, the exchange rate of HK, used to pay cash dividends and other payments, shall take the average mean price proclaimed by Bank of China one calendar week.

Article 16.16 In accordance with this Article 8.02(2) and 10.03(1) paragraph 14, board of directors can decide to distribute interim dividends or special dividends.

Article 16.17 The Company shall act in accordance with the provisions of Chinese tax law in time of distributing dividends to shareholders, and shall withhold the payable tax according to the allocated amount.

Article 16.18 The Company shall appoint a collection agency for the overseas listing shareholders. The collection agency shall collect the allocated dividends and other payable payments for the relevant shareholders.

The collection agency appointed by the Company shall be in accordance with regulations of the laws of listing place or stock exchange.

The collection agency appointed for the overseas foreign shareholders listed in Hong Kong shall be a registered trust company in accordance with Trustee Ordinance (chapter 29 of the Laws of Hong Kong).

## **Chapter 17: Appointment of Auditors**

Article 17.01 Independent certified public accountant subject to the relevant regulations shall be employed to undertake fiscal statement auditing, including other financial reports.



The first accounting firm shall be appointed by the inaugural meeting prior to the first annual general meeting, and the term of the accounting firm shall be terminated at the end of the first annual general meeting.

Board of directors shall exercise the authorities when the inaugural meeting does not.

Article 17.02 The accounting firm's term of employment starts from this general meeting to the end of next general meeting.

Article 17.03 The employed accounting firm shall enjoy the following rights:

- (1) Check the account book, records or the certificates of the company at any time and has the rights to require the director and senior managers to offer relevant data and explanations.
- (2) Require the company take all the reasonable measures and get from the subsidiary company all the necessary data and instructions that used for executing the function.
- (3) Attend the general meeting of shareholders and acquire the notice of the meeting or other information related to the meeting that any stockholder has the right to get. Deliver a speech concerned with matters that related to its position as accounting firms in any meeting of shareholders.

Article 17.04 If this is vacancy in the accounting firm, the accounting firm can be entrusted to fill the blank before the holding of the general meeting of the stockholder by the board of directors. But during the vacancy, if the company has other incumbent accounting film, this accounting film still can handle matters.

Article 17.05 No matter what the contract clause the accounting film formulates with the company, the general meeting of stockholders can dismiss the accounting film through the decision of the ordinary regulation before its term expires. If the related accounting film has the right to ask for compensation from the company due to it is dismissed, the related rights are not influenced because of this.

Article 17.06 The pay or the way to decide pay of the accounting film will be decided by the general meeting of the stockholders. The pay of the accounting film appointed by the board of the directors will be decided by the board of the director.

Article 17.07 The decision of the recruitment, dismissal or further appointment shall be made decisions by board of directors and submit to the state council securities competent authorities for the record.

The general meeting of shareholders shall comply with the following provisions after it passing a resolution in recruiting the not current accounting firms in filling any vacancy of accounting firms posts, or further appointment an accounting firm for filling the vacancy and recruited by board of directors or dismissing an accounting firm which is not at the expiration of its term.

- (1) The proposal about the appointment or dismissal shall send to the will-be engaged or outgoing or already outgoing accounting firm in relevant accounting year before the issue of meeting notice of general meeting of shareholders. Outgoing includes dismissal, resignation and retirement.
- (2) If the accounting firm leaving makes representations in writing and requests the notification thereof by the Company to the shareholders, the Company shall (unless the representations are received too late) adopt the following measures:
  - (i) State that the resigning accounting firm has made a statement after making decision and sending out the notice.
  - (ii) Send a copy of the representations as attached to notice of general meetings to each shareholder by the way prescribed by the Articles.
- (3) If the company fails to send the statement of the accounting firm in accordance with the regulation of this term (2), the accounting firm has the right to ask the statement being read in the general meeting of shareholders and can make further appeal.
- (4) The resigning accounting firm has the right to present in the meetings as follows:
  - (i) The term of the general meeting of shareholders shall be expires;
  - (ii) The general meeting of shareholders opened for filling the vacancy due to its dismissal;
  - (iii) The general meeting of shareholders is gathered because of resignation of accounting firm.

The resigning accounting firm has the right to receive the aforementioned meeting's notice or other information related to the meeting and delivers a speech concerned with its position as ex accounting firm of the company.

Article 17.08 If the company dismisses or not further appointment of the accounting firm, the accounting firm shall be notified in advance and has the right to state the ideas to the general meeting of shareholders. If the accounting firm brings out to quit, it shall explain to the general meeting of shareholders the reason.

The accounting firm can quit through putting the resignation written statement to the company address. The notice takes effect after it is put in the company address or latter date noted in the notice. The notice shall contain the following statements:

- (1) Think that its resignation will not concern with any statement to the shareholders of the company the creditors; or
- (2) Any statements that shall illustrate the situations.

Within the 14 days of receiving the aforementioned written statement, the company shall send the copy of this notice to the relevant competent authority. If the notice of resignation contains a statement under paragraph (2) above, the company shall keep copy of the aforementioned document in the company for the reference of the shareholders. And the aforementioned copy shall be send to each foreign share shareholder listed abroad through prepaid postage. The address of receiver shall be in accordance with the registered name list of shareholders.

If the resignation notice of the accounting firm has any statement has shall be make clear, the accounting firm can ask the board of directors to gather the temporary board of directors and listen to the explanation related to resignation.

## **Chapter 18: Merger, Division, Withdrawing, Capital Increasing of the Company**

Article 18.01 The merger or division of the company should be proposed the scheme by the company board of directors and deal with the relevant examination and approval procedures in accordance with the law after passing the regulated procedures of articles of association. The shareholders that are against the merger and division scheme or the shareholders that agree the merger and division scheme of the company are entitled to ask the company to purchase his/her shares with fair price.

The content of company merger and division resolutions should be made into special documentation for the consultation of the shareholders.

Article 18.02 The merger of companies may be achieved in two forms: merger by absorption or merger by new establishment.

In the event of a merger, the merging parties shall execute a merger agreement and prepare a balance sheet and an inventory of property. The company shall notify the creditors within 10 days since making the decision of merger and announces in a newspaper within 30 days.

The creditors who receive the notice of the public announcement within 30 days or those who do not receive the notice of the public announcement within 45 days have the right to require the company to clear off its debts or to provide corresponding guarantees.

Once the companies are merged, the creditor's rights and debtor's liabilities of the merged companies shall be assumed by the surviving company or the newly formed company after merger.

Article 18.03 In the event of the company division, its assets shall be divided accordingly.

In the event of company division, all parties shall sign division agreement and prepare for the balance sheet and list of assets. The company shall notify the creditors within 10 days since making the decision of division and announces in a newspaper within 30 days.

The debt before the company division shall be undertaken joint responsibility by the company after the division. But except the creditors has reached a written agreement about the debt service before the company division stipulated.

Article 18.04 If the registered items changes in company merger or division, the company shall go into registration of alternation to the company registration authority; where the company is dismissed, company cancellation of registration shall be carried out in accordance with the law; when a new company is established, establishment registration shall be carried out in accordance with the law.

### **Chapter 19: Dissolution and Liquidation of the Company**

Article 19.01 The company has one of the following situations shall be dismissed and it shall go into liquidation in accordance with the law.

- (1) The board of directors resolute to dismiss;
- (2) Dissolution is required due to merger or division of the company;

- (3) The business license has been revoked according to law and the company is repealed or closed down;
- (4) People's court dismiss the company in accordance with the regulation of Company Law of article one hundred and eighty-three.

There are serious difficulties in company operation and management and the continue survival will cause significant loss for the shareholders, and cannot be solved in other ways, shareholders holding more than ten percent voting rights of all the shareholders of the company may request the people's court to dismiss the company.

Article 19.02 Dissolution of the Company in accordance with this Article 18.01(1), (2), (4) and (5), the company shall establish liquidation group within 15 days since the dismissal reasons appear and begin to clear off. The liquidation group of the limited liability company shall be constituted by the people confirmed by director or general meeting of shareholders. When no liquidation group is formed within the time limit, the creditors may plead the people's court to designate relevant persons to form a liquidation group. The people's court shall accept such request and form a liquidation group so as to carry out the liquidation in time.

Article 19.03 If the board of director decides the company to carry out liquidation (except for the liquidation due to the announcement of bankrupt), it shall be announce that the board of directors has done comprehensive investigation to the situations of the company in the notice for gathering the general meeting of shareholders and state that company can comprehensive pay off the company debt within 12 months after the beginning of the liquidation.

After the general meeting of shareholders passes the resolution of liquidation, the function and power of the board of directors terminate instantly.

The liquidation shall follow the instruction of the general meeting of shareholders and report to the income and expenses once to the general meeting of shareholders, the company business and the process of the liquidation, and make final report to general meeting of shareholders at the end of the liquidation.

Article 19.4 The liquidation group shall notify the creditors within 10 days of its establishment and announce in the newspapers and periodicals within 60 days. Creditors who receive the notice of public announcement within 30 days or those who do not receive the notice of the public announcement

within 45 days shall report claim to the liquidation group. The liquidation group shall register the claim; the liquidation shall not clear off to the creditors in the period of declaring obligatory rights.

Article 19.05 The liquidation group performs the following rights in the liquidation period:

- (1) Clear off the company property, compile the balance sheet and schedule of property respectively;
- (2) Notice or announce to the creditors;
- (3) Deal with and clear off the unfinished business with relevant companies;
- (4) Pay off the owned tax payment and the tax payment in the liquidation period;
- (5) Pay off the obligatory right and debt;
- (6) Deal with residue property after paying off the debt;
- (7) Participate in civil actions on behalf of the company.

Article 19.06 The liquidation group shall make liquidation scheme after the clearing off the company property and compiling the balance sheet and schedule of property and send to the general meeting of shareholders or people's court for confirmation.

After paying the liquidation expenses first, the properties of the company should be paid off in the order listed below.

- (1) The owned staff wages of this Company, social security expenditures and statutory compensation;
- (2) Pay the owned tax payment;
- (3) Pay off bank loans, corporate bonds and other corporate obligation.

After liquidation of the company property according to the aforementioned regulations, the residue property can be allocated by the company shareholders according to the kinds and proportion of the shares in the following sequences:

- (1) If there is preference stock, it shall be allocated to the preference stock shareholders according to the preference stock shares face value; if it cannot compensate for the preference stock capital stocks, it shall be allocated in accordance with the proportion held by the preference stock shareholders;

- (2) Allocate in accordance with the proportion of the common stock shares held by the shareholders.

In the liquidation period, the company cannot operate the activities that have nothing to do with the liquidation.

Article 19.07 The liquidation carries out after the dismissal of the company. After the liquidation group clears off the property of company, compiles the balance sheet and schedule of property and finds that the property of company is not enough to pay off the debt, the people's court shall be applied to announce the bankrupt.

After the ruling of the people's court and announcement of the bankrupt of the company, the liquidation group shall transmit the liquidation matters to people's court.

Article 19.08 After the end of the liquidation, the liquidation group shall make liquidation report, income and expense statement in liquidation period and financial account. After the verification of the Chinese CPA, send to the general meeting of shareholders or people's court for confirmation.

The liquidation group shall send the aforementioned files to the company registered authority within 30 days after the conformation day of general meeting of shareholders or people's court and apply for cancellation of the company registration and announce the termination of the company.

Article 19.09 The liquidation group members shall be devoted to their duty and perform their duties in accordance with laws.

The members of a liquidation group may not exploit their position to accept bribes or other illegal income, nor may they wrongfully take over the property of the company. A committee member who causes loss to the company or its creditors due to his intentional misconduct or gross negligence shall be liable for damages.

## **Chapter 20: Procedures for Amending the Articles of Association**

Article 20.01 The company could revise the articles of association according to the regulations of the law, administrative laws and regulations and articles of association.

Article 20.02 The revision of the articles of association should follow the procedures listed below:

- (1) The board of directors will pass resolutions according to this article and draw up article revision scheme;



- (2) Send the article scheme to the stockholders and convene the board of directors to vote;
- (3) The submission of the modifications voted by the board of directors should be passed by special resolution.

Article 20.03 The modification of the articles of association, when it is concerned with the content of *Essential Terms*, it can be effective after the ratification of the company examination and approval department authorized by the State Council and the State Council security appropriate body.

Article 20.04 When it is concerned with the registered particulars, the modification of articles of association amendment registration shall be carried out with in accordance with the law. The modification of articles amendment particulars belongs to the information that needs to disclose by the law and regulation and should make public announcement in accordance with the regulation.

### **Chapter 21: Notice**

Article 21.01 Notices of the Company (for the purpose of this chapter, “notices” include notices of general meetings issued by the Company to Shareholders, Corporate Communications of the Company or other written materials) may be issued in each of the following manner:

- (1) delivery in person;
- (2) by mail (with postage fully paid);
- (3) in the form of an announcement;
- (4) in a manner recognized by the listing and/or securities authorities. Regulating the stock exchange on which the Company’s Shares are listed, or in a manner that is otherwise permissible under the Articles of Association.

Article 21.02 To any shareholders that do not offer the registered address or cannot be contacted because of the wrong addresses, as long as the company states and reserves for 24 hours for the notice of the legal address of the company, then this shareholder shall be taken he/she has received this notice.

Article 21.03 Notices issued in the form of an announcement shall be published in the relevant publications (if any) and/or the relevant designated medium (including websites) of the relevant listing and/or securities authorities regulating the stock exchange on which the Company’s Shares are listed.

In relation to the Listing Rules requirements for the manner of issuance and/or distribution of Corporate Communications and in accordance with the laws and regulations of the relevant listing and/or securities authorities regulating the stock exchange on which the Company's Shares are listed, the Company may issue and/or distribute Corporate Communications to the holders of foreign listed shares by electronic means or on the website of the Company and of the Stock Exchange in lieu of issuing and/or distributing the relevant information by delivery in person or by mail (with postage fully paid).

"Corporate Communications" means any documents issued, or will be issued by the Company to the holder of any securities of the Company for their reference or for their action, including but not limited to:

- (i) reports of the Board, the Company's annual accounts and auditors' reports and the Company's summary of financials (if applicable);
- (ii) the Company's interim reports and the Company's summary of interim reports (if applicable);
- (iii) notices of meetings of the Company;
- (iv) listing documents of the Company;
- (v) the Company's circulars;
- (vi) authorization letters in relation to the Company; and
- (vii) reply forms and other documentary materials.

Article 21.04 The notice the company sends to the domestic share shareholders shall be published in the one or more articles appointed by the National security management institutions. After the notice is published, all the domestic share shareholders are viewed as having received the notice.

Article 21.05 If the notice sends by the mail, as long as it is written the address clearly with prepaid postage and put the notice into the envelop, and if the envelop including the notice is put into the mailbox, it is taken as the letter has been sent out and viewed as it has been received after sending it out 48 hours.

Article 21.06 Any notice, document, data or written statement send to the company by the shareholder or director can be sent to the legal address of the company by specially-assigned person or in the way of registered mail or give or send to the registered agent of the company through the way of registered mail.

If the shareholders or directors want to prove that they have sent the notice, document, data or written statement to the company, they shall offer the evidence that they have sent these materials in appointed time in the usual way or in the way of sending to the correct address through prepaid postage.

Article 21.07 The relevant documents that are distributed by the Company to the Shareholders by electronic means in accordance with Articles 20.01 and 20.03 above should, in accordance with the requirements and requests of the Stock Exchange, be published on the website of the Stock Exchange and of the Company. The Shareholders will be deemed to have received such documents as soon as they are published in the aforementioned manner.

## **Chapter 22: Resolution of Disputes**

Article 22.01 The Company observes the following dispute resolution rules:

- (1) Based on the articles of association, Company Law and the regulated the occurrence of obligations and rights by other laws and regulations and the dispute or claim related to company affairs between foreign share shareholders listed abroad and company, the foreign share shareholders listed abroad and director, supervisor and senior managers of the company, foreign share shareholders listed abroad and domestic share shareholders, the relevant party shall submit this kind of dispute or claim to the arbitration.

When the aforementioned dispute or claims submit to arbitration, it shall is all claims or integral dispute; all the people have cause of action due to the same reason or the solve of the dispute or claim needs the involvement of other people and if they are the shareholder, director, supervisor or senior managers of the company, they shall obey arbitration.

The disputes about the demarcation of shareholders and register of shareholders can be solved without arbitration.

- (2) The application intermediary can choose the China international economic and trade arbitration commission for arbitration according to its arbitration rules or Hong Kong international arbitration center for arbitration according to security arbitration rules. After the application intermediary submits the dispute or claim for arbitration, the other party must arbitrate in the chosen arbitral authority of the application intermediary.

If the application intermediary choose Hong Kong international arbitration center for arbitration, either party can request the arbitration be in Shenzhen in accordance with the regulation of honking international arbitration center securities arbitration rules.

- (3) To solve the clause (1) mentioned dispute or claim by the arbitration way applicable to the People's Republic of China law; except the cases as stipulated by laws and administrative regulations.
- (4) The arbitration award made by arbitration institutions is final and binding for both parties.

### **Chapter 23: Supplementary Provisions**

Article 23.01 This article of association has both Chinese and English version, if there is contradict, the Chinese version prevail.

Article 23.02 The board of director can formulate article of association by-laws in accordance with the regulation of this article of association. The by-laws cannot be conflict with the regulations of this article of association.

Article 23.03 The mentioned "above", "within" and "below" contain the number; "under" and "other than" do not contain the number.

Article 23.04 The meanings of the following nouns and phrases in this article of association are as follows except for the ones with other meanings according to the context.

<b>Articles of association</b>	Means	articles of Association of this company
<b>Company or this company</b>	Means	Xinjiang Tianye Water Saving Irrigation System Company limited
<b>Subsidiary company</b>	Means	including the wholly-owned subsidiaries and the holding subsidiary company
<b>Board of directors</b>	Means	board of directors of this company
<b>Chairman of the board</b>	Means	chairman of board of this company
<b>Director</b>	Means	the director of this company
<b>Supervisory Committee</b>	Means	board of supervisors of this company. According to the Chinese law, the board of supervisors are responsible to supervisor the board of directors and its members, managers and other senior managers of this Company

<b>Supervisor</b>	Means	the members of this Company's board of supervisors
<b>Senior manager</b>	Means	the manager, assistant manager, financial administrator, Secretary of Board of directors of listed companies and other people regulated by the articles of association
<b>Initiator</b>	Means	Xinjiang Tianye Company Limited; Shenzhen Litailai investment and Development Co., Ltd.; North West Agriculture and Forestry University; Mechanical Science Research Institute; Guo Shuqing; and Wang Xiaoxian
<b>Contact person</b>	Means	connotation endowed by listing rules
<b>Corporate bonds</b>	Means	the negotiable securities that issued in accordance with Chinese laws, regulations and rules of this Company and promise to repay capital with interest within a certain period
<b>RMB</b>	Means	the lawful money of China
<b>Secretary</b>	Means	secretary of company board of directors appointed by board of directors of this Company
<b>China</b>	Means	the People's Republic of China (PRC)
<b>Hong Kong</b>	Means	Hong Kong, Special Administrative Region of China
<b>Chinese law</b>	Means	Chinese constitution or any law, regulation and rules that take effect in China (depending on its literary content)

<b>Company law</b>	Means	the Company Law of the Peoples Republic of China passed on 29 December 1993 the eighth National People’s Congress standing committee the fifth NPC and enforced on 1 July 1994 (including the amendment from time to time)
<b>Special regulations</b>	Means	the state council about limited liability company collected shares overseas and special regulations of listing passed and enforced on 4 July 1994
<b>Mandatory Provisions</b>	Means	Mandatory Provisions of the Articles of Association of Companies Seeking Overseas Listing issued by Securities Commission of State Council and State Commission for Economic Restructuring on 27 August 1994
<b>Hong Kong shareholders register</b>	Means	shareholder register part deposited in Hong Kong according to the rules of this regulation
<b>Stock Exchange</b>	Means	the Stock Exchange of Hong Kong Limited
<b>Main board</b>	Means	Hong Kong stock exchange main board
<b>Listing rules</b>	Means	stock exchange securities listing rules (after revision from time to time)
<b>Arbitral authority</b>	Means	China International Economic and Trade arbitration commission or Hong Kong international arbitration center
<b>Special resolution</b>	Means	the resolution passed by two-thirds of the present shareholders
<b>Ordinary resolution</b>	Means	the resolution passed by the half of the present shareholders
<b>Manager</b>	Means	the president of this company
<b>Assistant manager</b>	Means	the vice president of this company

Article 23.05 The meaning of the mentioned “accounting firm” is same as “auditor”.

Article 23.06 The authority for the interpretation of this regulation belongs to the board of directors and the right of modification belongs to the general meeting of the shareholders.