
NOTICE OF THE 2005 ANNUAL GENERAL MEETING



廣州藥業股份有限公司

Guangzhou Pharmaceutical Company Limited

(a joint stock company with limited liability established in the People's Republic of China)

(H Share Stock Code: 0874)

IMPORTANT NOTICE

- Date and time of the 2005 annual general meeting (“AGM”): 15 June 2006 (Thursday) at 10:00 a.m.
- Place of the AGM: Conference Room, 45 Sha Mian North Street, Guangzhou City, Guangdong Province, the People’s Republic of China (the “PRC”)
- Manner of holding the AGM: present
- Significant items in the agenda:
 - (1) report of the Board of the Company for the year 2005;
 - (2) report of the Supervisory Committee for the year 2005;
 - (3) financial reports of the Company for the year 2005;
 - (4) auditors’ reports for the year 2005;
 - (5) proposal for profit distribution and dividend payment for the year 2005;
 - (6) projected profit distribution policy of the Company for the year 2006;
 - (7) total emoluments to be paid to the Directors of the Company for the year 2006;
 - (8) total emoluments to be paid to the Supervisors of the Company for the year 2006;
 - (9) re-appointment of Guangdong Yangcheng Certified Public Accountants Co. Ltd. and PricewaterhouseCoopers, whose appointments have expired, as the domestic and international auditors respectively, and the authorization of the Board to determine their respective remunerations;
 - (10) proposed amount of guarantees provided by the Company for bank loans to certain of its subsidiaries in 2006;
 - (11) election of Mr. Chen Zhinong as a Director of the Company;
 - (12) amendments to the Articles of Association of the Company;
 - (13) amendments to the Rules of Procedures for Shareholders’ Meetings of the Company;
 - (14) amendments to the Rules of Procedures for Board of the Company; and
 - (15) amendments to the Rules of Procedures for Supervisory Committee of the Company.

NOTICE OF THE 2005 ANNUAL GENERAL MEETING

I. INFORMATION REGARDING THE CONVENTION OF THE AGM

- (1) The resolution to convene the AGM was considered and passed at the 21st meeting of the 3rd session of the Board;
- (2) Date and time of the AGM: 15 June 2006 (Thursday) at 10:00 a.m.
- (3) Place of the AGM: Conference Room, 45 Sha Mian North Street, Guangzhou City, Guangdong Province, the PRC.

II. MATTERS TO BE CONSIDERED AT THE AGM

I. Resolutions to be considered and approved by way of ordinary resolutions:

1. report of the Board of the Company for the year 2005;
2. report of the Supervisory Committee for the year 2005;
3. financial reports of the Company for the year 2005;
4. auditors' reports for the year 2005;
5. proposal for profit distribution and dividend payment for the year 2005;
6. projected profit distribution policy of the Company for the year 2006;
7. total emoluments to be paid to the Directors of the Company for the year 2006;
8. total emoluments to be paid to the Supervisors of the Company for the year 2006;
9. re-appointment of Guangdong Yangcheng Certified Public Accountants Co. Ltd. and PricewaterhouseCoopers, whose appointments have expired, as the domestic and international auditors respectively, and the authorization of the Board to determine their respective remunerations;
10. proposed amount of guarantees provided by the Company for bank loans to certain of its subsidiaries in 2006; and
11. election of Mr. Chen Zhinong as a Director of the Company.

II. Resolutions to be considered and approved by way of special resolutions:

1. amendments to the Articles of Association of the Company;
2. amendments to the Rules of Procedures for Shareholders' Meetings of the Company;
3. amendments to the Rules of Procedures for Board of the Directors of the Company; and
4. amendments to the Rules of Procedures for Supervisory Committee of the Company.

NOTICE OF THE 2005 ANNUAL GENERAL MEETING

The above resolutions No. 1 to 10 under category I by way of ordinary resolutions were considered and approved at the Board meeting held on 31 March 2006 and the announcements in relation to the resolutions passed at such meeting were published both in the PRC and Hong Kong on 3 April 2006. Resolution No. 11 under category I by way of ordinary resolution and resolutions No. 1 to 3 under category II by way of special resolutions were considered and approved at the Board meeting held on 27 April 2006, resolution No. 4 under category II by way of special resolution was considered and approved at the meeting of the Supervisory Committee held on 27 April 2006 and the announcements in relation to the resolutions passed at such meetings will be published both in the PRC and Hong Kong on 28 April 2006.

III. ATTENDEES OF THE AGM

- (1) Domestic and foreign shareholders whose names appear on the Register of Members of the Company at the close of trading in the afternoon on Tuesday, 16 May 2006 (including those foreign shareholders who have already successfully submitted verified documents of shareholding transfer applications on or before 16 May 2006) are entitled to attend the AGM. The Register of Members of the Company will be closed from Wednesday, 17 May 2006 to Wednesday, 14 June 2006 (both days inclusive) during which no transfer of H shares will be effected. Holders of H shares of the Company, who are entitled for the final dividend for the year 2005, should deposit all of the share transfer documents together with relevant share certificates to the share registrar of the Company in Hong Kong, namely Hong Kong Registrars Limited, for share transfer registration at or before 4:00 p.m. on 16 May 2006;
- (2) Each shareholder entitled to attend and vote at the meeting can appoint one or more persons as his /her proxy(ies) to attend and vote at the AGM on his / her behalf, and such proxy(ies) may not be a shareholder of the Company;
- (3) The Directors, Supervisors and senior management of the Company.

IV. REGISTRATION FOR THE AGM

- (1) Registration procedures:

To attend the AGM, an individual shareholder should bring along his/her identity card, the shareholder account card; a proxy should bring along the power of attorney, his/her identity card and the identity card of the principal and the shareholder account card. A legal person shareholder shall bring along a copy of the business licence, the power of attorney issued by the legal entity, the shareholder account card and the identity card of the attendee. Overseas shareholders can make registration by mail, telephone or fax;

- (2) Place and time of registration:

Registration date and time: 8:30 a.m. to 11:30a.m. and 2:00 p.m.to 4:30 p.m. on 26 May 2006 (Friday)

Place of registration: Secretariat to the Board

2nd Floor, 45 Sha Mian North Street, Guangzhou City, Guangdong Province, the PRC

NOTICE OF THE 2005 ANNUAL GENERAL MEETING

V. OTHERS

- (1) Address: 2nd Floor, 45 Sha Mian North Street, Guangzhou City, Guangdong Province, the PRC
Postal code: 510130
Contact person: He Shuhua
Tel: 86 20-8121 8119
Fax: 86 20-8121 6408
- (2) Address of Shanghai Securities Central Clearing and Registration Corporation: 3/F., China Insurance Building, No.166 Lujiazui Road East, Shanghai, the PRC

Address of Hong Kong Registrars Limited: 46th Floor Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
- (3) The AGM is expected to last for a half day. Shareholders attending the meeting shall be responsible for their own travelling and accommodation expenses.

VI. DOCUMENTS AVAILABLE FOR INSPECTION

- (1) Resolutions and announcement of the 21st meeting of the 3rd session of the Board; and
- (2) Resolutions and announcement of the 22nd meeting of the 3rd session of the Board.

By order of the Board
He Shuhua
Company Secretary

Guangzhou, the PRC, 27 April 2006

As at the date of this notice, the Board comprises Mr. Yang Rongming, Mr. Zhou Yuejin (resigned on 27 April 2006), Mr. Xie Bin and Mr. Feng Zansheng as Executive Directors and Mr. Wu Zhang, Mr. Wong Hin Wing and Mr. Zhang Heyong as Independent Non-executive Directors.

Attachment:

The information in relation to the candidate for the director to be approved as director as required to be disclosed to the shareholder under Rule 13.74 and the note to the Rule 13.51(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") is set out below:

1. Profile of the candidate as director of the Company:

Mr. Chen Zhinong, aged 45, university diploma holder, is currently Director and Deputy General Manager of Guangzhou Pharmaceutical Holdings Limited, General Manager of Guangzhou Hanfang Contemporary Medicine Research and Development Co., Ltd. and Vice Chairman of Guangzhou Pharmaceutical Soccer Club Co., Ltd. Mr. Chen commenced working since November 1983 and served as technician and deputy factory manager of the first branch factory of Guangzhou Baiyunshan Pharmaceutical General Factory, deputy factory manager and factory manager of Guangzhou Baiyunshan Pharmaceutical General Factory, assistant to the general manager, deputy general manager, general manager and chairman of Guangzhou Baiyunshan Enterprise Group Company. Mr. Chen has extensive experience in corporate management and technology research and development.

NOTICE OF THE 2005 ANNUAL GENERAL MEETING

2. Other information:

According to the emoluments policy of the Group, the annual emoluments of Directors and Supervisors of the Company are proposed by the Board to the AGM of the Company at which the Board will seek authorization to determine the amount of the emoluments and the method of payment for services of the Companys Directors and supervisors, If elected, Mr. Chen will be entitled to a basic salary determined in accordance with his management positions and an incentive bonus which is computed with reference to the targeted operating results of the Company (for details of the incentive scheme, please refer to the Notice of the First Extraordinary General Meeting of the Company in 2002 which was published both in the PRC and Hong Kong on 28 March 2002).

If elected, Mr. Chen shall serve, from the date of his appointment to the date when members of the fourth session of the Board is elected.

Save as disclosed above, Mr. Chen does not have any relationship with any other Directors, Supervisors, senior management or substantial or controlling shareholders of the Company.

As at the date of this notice, Mr. Chen does not have any interests in the shares or debentures of the Company or any of its associated corporations, which shall be notified to the Company and the Stock Exchange pursuant to Section 341 of the SFO or the Model Code for Securities Transactions by Directors of Listed Companies. Nor did he have any other interests which shall be recorded in the register as required to be kept by the Company in accordance with Section 352 of the SFO.

APPENDIX 1 PROPOSAL ON AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE COMPANY

In response to the requirements as set forth in the notices issued by China Securities Regulatory Commission (“CSRC”) and the Shanghai Stock Exchange regarding amendment of Articles of Association of a listing company by holding a general meeting of shareholders, the Company hereby proposes to amend these Articles of Association as follows:

(1) The following wording be inserted immediately after the existing texts of the existing Article 2:

As approved by the Securities Commission of the State Council by approval document no. [1997] 56 Hao in September 1997, the Company has issued to oversea investors 219,900,000 overseas listed foreign shares available for subscription in foreign currencies and such shares were listed on Hong Kong Stock Exchange in October 1997. In January 2000, as approved by CSRC (approval document no. Zheng Jian Gong Si Zi [2000] 22 Hao), the Company issued to the public 78,000,000 ordinary shares in RMB and such shares were listed on the Shanghai Stock Exchange in February 2000.

(2) The first paragraph of the existing Article 6 be amended as follows:

Article 6 These Articles of Association shall be amended and effective upon approval by special resolutions passed in the 2005 annual general meeting of shareholders and the previous Articles be abolished.

(3) The existing Article 8 be amended as follows:

Article 8 The Company may invest in other companies with limited liabilities and/or companies limited by shares and shall be liable only to the extent of the investment contribution to those companies.

Upon approval by the Company’s approval authority authorized by the State Council, the Company may, as required by its business and management, operate as a holding company as described in the Company Law.

(4) Addition of the following text in the beginning of the existing Article 10:

The business scope of the Company shall be subject to the items verified and examined by the company registration authority.

(5) The existing Article 15 be amended as follows:

Article 15 The shares of the Company shall be in script form.

Shares issued by the Company shall be with nominal value at RMB 1 Yuan each.

Share issues shall comply with the principles of fairness and equity. Shares of the same type shall rank pari passu.

The terms and price shall be the same for all shares of the same type in a share issue. An organisation or individual shall pay the same price for each share subscribed.

(6) The first paragraph of the existing Article 18 be amended as follows:

Article 18 As approved by the approval authority as authorized by the State Council, upon the establishment of the Company, 513,000,000 shares, representing 100% of the aggregate issuable ordinary shares, were issued to its promoter and such shares were held by Guangzhou Pharmaceutical Holdings Limited. The contribution of such shares by Guangzhou Pharmaceutical Holdings Limited were made by converting its state-owned assets into consideration.

(7) **The existing Article 22 be amended as follows:**

Article 22 The Company may, as required by its operation and development, increase its capital in accordance with the relevant provisions of these Articles of Association. The Company may increase its capital by way of:

- (1) offering new shares to non-specified investors;
- (2) placing new shares to existing shareholders;
- (3) allotting new shares to existing shareholders;
- (4) converting the surplus reserve into its capital; or
- (5) other methods as permitted under laws and regulations and by CSRC.

The Company's increase of capital by issuing new shares shall seek approval pursuant to the provisions of these Articles of Association and then be handled in accordance with procedures as required by the relevant laws and administrative regulations of the State.

(8) **The existing Article 23 be amended as follows:**

Articles 23 Shares held by promoters shall not be transferred within one year from the date of incorporation of the Company. Shares issued by the Company before the share offering shall not be transferred within one year from they date on which the shares of the Company are listed on a stock exchange.

Directors, supervisors and senior management personnel of the Company shall declare their shareholding in the Company and changes in such shareholding to the Company; and shall not transfer more than 25% of their shareholding in the Company during their term of appointment or transfer their shares within one year from the date on which the share of the Company are listed on a stock exchange. The aforesaid persons shall not transfer their shares in the Company within half a year after leaving their post.

In the event that any director, supervisor or senior management of the Company sells the Company's shares within six months after the acquisition of such shares or acquires the Company's shares within six months after sale of the same, any proceed arising therefrom shall be attributed to the Company and the Company's board of directors shall retrieve such proceed. In case the board of directors fails to comply with the requirements under this paragraph, the responsible director(s) shall be jointly liable.

In case the board of directors fails to comply with the requirements under this paragraph, a shareholder shall have the right to request the board of directors to comply within thirty days. In case of the board of director's failure in complying the same within the aforesaid period, a shareholder shall have the right to file a litigation directly with a people's court in the name of the shareholder.

Unless otherwise required by laws, administrative regulations and these Articles of Association, shares of the Company may be transferred freely without any lien. The Company shall not accept its shares being held as security under a pledge.

(9) The existing Article 25 be amended as follows:

Article 25 In case of reduction of registered capital of the Company, a balance sheet and assets list shall be formulated and procedures as required by the Company Law and the provisions of other relevant regulations and these Articles of Association shall be complied with.

(10) The existing Article 26 be amended as follows:

Article 26 Under the following circumstances, the Company may repurchase its shares issued on the market subject to a resolution passed in accordance with the provisions of these Articles of Association and the approval by the relevant authority of the State:

- (1) cancellation of shares for purpose of reduction of the Company's capital;
- (2) merger with another company which holds the Company's shares;
- (3) distribution of shares to employees as an incentive;
- (4) request from shareholders who object to a resolution of a general meeting of shareholders on merger or division of the Company for the Company to acquire their shares; and
- (5) other circumstances permitted by laws and administrative regulations.

Save as the above, the Company shall not purchase or sell its shares.

(11) The existing Article 27 be amended as follows:

Article 27 The Company may, upon approval by the relevant authority, repurchase its shares by one of the following ways:

- (1) offer for repurchase of shares to all shareholders in equal proportions;
- (2) repurchase of shares through open transactions on a stock exchange;
- (3) repurchase of shares through off-market agreements outside a stock exchange; and
- (4) repurchase of shares in other methods as recognized by CSRS.

(12) The first paragraph of the existing Article 28 be amended as follows:

Article 28 A repurchase of shares by the Company for reasons as stated in items (1) through (3) of Articles 27 of these Articles of Association. the Company shall subject to prior approval of the general meeting of shareholders in accordance with the provisions of these Articles of Associations. Subject to the prior approval of the general meeting of shareholders in the same manner, the Company may discharge or change a contract entered into in the aforesaid methods or may waive any rights in such contract.

(13) The existing Article 29 be amended as follows:

Article 29 In the event that any repurchase of shares by the Company pursuant to the laws and Article 26 hereof, shares acquired under a repurchase of shares under the circumstances stipulated in item (1) of Article 26 hereof shall be cancelled within ten days from the date of acquisition thereof while shares acquired under a repurchase of shares made under the circumstances stipulated in items (1) and (2) of Article 26 hereof shall be transferred or cancelled within six months and change of registration of registered capital shall be proceeded with the Company's original registration authority.

The aggregate nominal value of the cancelled shares shall be verified and deducted from the Company's registered capital.

The shares acquired under a repurchase of shares made by the Company in accordance with the provisions of item (3) of Article 26 hereof shall not exceed 5% of the issued share capital of the Company. Funds used for the acquisition shall be paid out from the post-tax profit of the Company and the acquired shares shall be transferred to employees within one year.

(14) The first paragraph of the existing Article 31 be amended as follows:

Article 31 The Company (including its subsidiary(ies)) shall not at any time give financial assistance in any way (including in the forms of gift, monetary advancement, guarantee, compensation or loan etc.) to any person acquiring or proposing to acquire shares in the Company including those who have incurred, directly or indirectly, liability for the purpose of acquiring the shares of the Company.

(15) The existing Article 36 be amended as follows:

Article 36 The Company shall base on the proof furnished by the registrar maintain a register of shareholders. Shareholder enjoy rights and have obligations according to the class of shares held by them. Shareholders holding shares of the same class enjoy equal rights and have equal obligations.

The register of shares shall contain the following information:

- (1) the name, address (residence), occupation or nature of each shareholder;
- (2) the class and quantity of shares held by each shareholder;
- (3) the amount paid or payable amount of shares held by each shareholder;
- (4) share certificate numbers of shares held by each shareholder;
- (5) the date on which each shareholder registered as a shareholder; and
- (6) the date on which each shareholder ceased to be a shareholder.

The register of shareholders shall be the sufficient evidence of the shareholders' shareholding in the Company unless there is any contrary evidence.

(16) The existing Article 47 be amended as follows:

Article 47 Holders of ordinary shares of the Company shall enjoy the following rights:

- (1) to request, convene, chair, attend or appoint proxies to attend general meeting of shareholders and to exercise voting rights in accordance with laws;
- (2) to receive dividends and other forms of distribution of interest in proportion to their respective shareholdings;
- (3) to supervise the management of the business operations of the Company and to make recommendations and interrogations;
- (4) to transfer, give or pledge shares held by them in accordance with laws, administrative regulations of the State and these Articles of Association;
- (5) to enjoy the rights of access, participation and decision on material matters as stipulated by laws, administrative regulations and these Articles of Association;
- (6) to obtain relevant information in accordance with the provisions of these Articles of Association including:
 1. a set of these Articles of Association upon payment of a fee covering the cost;
 2. the rights to inspect and obtain photocopy(ies) of the following information upon payment of a reasonable charge:
 - (i) all parts of the register of shareholders;
 - (ii) personal particulars of directors, supervisors, managers and other senior management personnel, including:
 - (a) present and former forename, surname and alias;
 - (b) principal address (residence);
 - (c) nationality;
 - (d) full-time and all other part-time occupations and duties; and
 - (e) identity document(s) and the number(s) thereof.
 - (iii) details of the Company's share capital and stub(s) of the Company's debenture(s);
 - (iv) reports showing the nominal value, the number, the maximum and minimum price paid in respect of each class of shares repurchase since the end of the last financial year, and the aggregate amount paid by the Company for such shares; and

(v) minutes of general meeting of shareholders, resolutions of meetings of the board of directors, resolutions of meetings of the supervisors and financial statements.

3. any shareholder requesting for inspection the relevant information as set forth in the preceding paragraph or for obtaining information shall furnish with the Company written document evidencing the class and quantity of shares it holds in the Company and the Company shall comply with such shareholder's request upon verification of its shareholder capacity.

(7) upon termination of liquidation of the Company, the right to participate in the distribution of the Company's remaining assets in proportion to their shareholdings;

(8) request from shareholders who object to a resolution of a general meeting of shareholders on merger or division of the Company for the Company to acquire their shares; and

(9) other rights conferred by laws, administrative regulations and these Articles of Association.

(17) The following wording be inserted as Articles 48 and 49 immediately after the existing Article 47:

Article 48 In the event of violation of laws, administrative regulations or the provisions under these Articles of Association by a director or senior management personnel in performing his duties resulting loss suffered by the Company for a continuous period of one hundred and eighty days, the shareholders that solely or collectively hold 1% or more shares of the Company have the right to make written request to the supervisory board to file a litigation with a people's court. In the event of violation of laws, administrative regulations or the provisions under these Articles of Association by the supervisory board in performing its duties that has led to loss and damage suffered by the Company for a continuous period of one hundred and eighty days, the shareholders have the right to make written request to the board of directors to file a litigation with a people's court.

Upon receipt of the writing request by the shareholders as stipulated in the preceding paragraph, in case the supervisory board and/or the board of directors refuses to file a litigation or fails to file a litigation within thirty days from receipt of such request, or under an urgent circumstances that failure in filing a litigation immediately is to prejudice the Company's interest that may not be indemnified, the aforesaid shareholders shall have the right to file a litigation with a people's court directly in its own name for protection of the Company's interests.

In the event that any person prejudices the lawful rights of the Company causing losses to the Company, the shareholders specified in the first paragraph may file a litigation with a people's court in accordance with the provisions of the preceding two paragraphs.

Article 49 In the event of violation of laws, administrative regulations or the provisions under these Articles of Association by a director or senior management personnel in performing his duties resulting damage to the shareholders' interest, the shareholders may file a litigation with a people's court.

(18) The existing Article 48 be amended as follows:

Article 50 Shareholders of the Company shall assume the following obligations:

- (1) to comply with laws, administrative regulations and these Articles of Association;
- (2) to pay subscription moneys for the shares subscribed in accordance with the agreed manner of payment;
- (3) not to abuse their shareholders' rights to cause damage to the interests of the Company or other shareholders; not to abuse the independent legal person status of the Company and limited liability of the shareholders to cause damage to the interests of the creditors of the Company;
shareholders of the Company who abuse their shareholders' rights and cause the Company or other shareholders to suffer damages shall bear compensation liability in accordance with laws;
shareholders of the Company who abuse the independent legal person status of the Company and limited liability of shareholders to evade debts and cause damage to the interests of the creditors of the Company shall bear joint liability for the Company's debt.
- (4) may not withdraw share subscription from the Company unless otherwise stipulated by laws and regulations; and
- (5) to undertake further obligations imposed by laws, administrative regulations and these Articles of Association.

A shareholder is not liable to make further contribution to the share capital other than as agreed by the subscriber of the relevant shares on subscription.

(19) The existing Article 49 be amended as follows:

Article 51 In addition to obligations imposed by laws, administrative regulations or required by the stock exchange on which shares of the Company are listed, a controlling shareholder shall not exercise his voting rights in a manner prejudicial to the interests of all or part of the shareholders and shall be liable for indemnify the Company for losses arising therefrom in case of violation of such requirement.

- (1) to relieve a director or supervisor of his duty to act in good faith in the best interest of the Company;
- (2) to approve the expropriation by a director of supervisor (for the benefit of his own or of another person), in any guise, of the Company's assets, including but not limited to, opportunities which are advantageous to the Company;

- (3) to approve the expropriation by a director or supervisor (for the benefit of his own or of another person) of the individual rights of other shareholders, including but not limited to, rights to distributions and voting rights, save and except pursuant to a corporate restructuring of the Company submitted to and approved by the general meeting of shareholders in accordance with these Articles of Association.

The existing Article 50 shall be re-numbered as Article 52 accordingly.

(20) The existing Article 51 be amended as follows:

Article 53 The controlling shareholders and/or the actual controlling party of the Company may not use their relationship to cause damage to the Company's interests and shall be liable for indemnity in case of violation of such requirements.

The controlling shareholders and the actual controlling party of the Company shall be of fiduciary duties to the Company and to public shareholders. The controlling shareholders shall exercise their rights as investors in strict compliance with laws. The controlling shareholders may not cause damage to the lawful interests of the Company and the public shareholders by way of connected transactions, profit distribution, assets restructuring, foreign investment, capital appropriation and guarantee for loans etc. and may not cause damage to the interests of the Company and the public shareholders by taking advantage from its controlling status.

The existing Article 52 shall be re-numbered as Article 54 accordingly.

(21) The existing Article 53 be amended as follows:

Article 55 The general meeting of shareholders shall exercise the following functions and powers:

- (1) to decide on the Company's direction of operation and investment plans;
- (2) to elect and replace directors and to decide matters relating to the remuneration of directors;
- (3) to elect and replace supervisors who are the shareholders' representatives and to decide matters relating to the remuneration of supervisors;
- (4) to consider and approve reports of the board of directors;
- (5) to consider and approve reports of the supervisory board;
- (6) to consider and approve the Company's annual financial budget and final accounts;
- (7) to consider and approve the Company's profit distribution proposals and loss recovery proposals;
- (8) to resolve on the increase or reduction of the Company's registered capital;
- (9) to resolve on matters such as merger, division, dissolution or liquidation of the Company;
- (10) to resolve on issuance of debenture by the Company;

- (11) to resolve on the appointment, removal or non-renewal of the services of an accounting firm for the Company;
- (12) to amend these Articles of Association;
- (13) to consider any proposals made by shareholders representing more than 5% (inclusive) of the voting shares of the Company;
- (14) to consider the material purchase, sale or replacement of assets of the Company (in the standard as confirmed by the rules of the stock exchange where the Company's shares are listed);
- (15) matters that may be handled by the board of directors through authorization or entrustment granted by a general meeting of shareholders of the Company;

The authorization or entrustment granted to the board of directors for handling matters as authorised or entrusted by a general meeting of shareholders of the Company shall be in compliance with the requirements of maintaining the lawful interests of the Company's shareholders and in strict compliance with laws and regulations to safeguard the Company's principles of efficient operation and scientific decision. The following matters may be handled by the board of directors through authorization or entrustment:

- 1. amendment of wordings of these Articles of Association upon passing a resolution for amendment of these Articles of Association by a general meeting of shareholders;
 - 2. distribution of interim dividends;
 - 3. specific matters involving issuance of new shares or convertible debenture;
 - 4. disposal, mortgage and guarantee on fixed assets as set forth in an approved direction of operation and investment plan; and
 - 5. other matters may be handled by the board of directors through authorization or entrustment as stipulated by laws, regulations and these Articles of Association.
- (16) to consider matters relating to guarantee as stipulated under Article 56 hereof;
 - (17) to consider matters relating to the Company's purchase and sale of material assets exceeding 30% of the latest audited gross assets;
 - (18) to consider matters relating to change of purpose for fund raising;
 - (19) to consider share incentive scheme; and
 - (20) other matters which are required by laws, administrative regulations and these Articles of Association to be adopted by way of resolutions by the general meeting of shareholders.

(22) The following wording be inserted as Article 56 immediately after the revised Article 55:

Article 56 The following guarantees made to outsiders by the Company shall be approved and passed in a general meeting of shareholders:

- (1) a guarantee made to outsiders by the Company and its holding subsidiary with an aggregate amount reached or exceeding 50% of the latest audited net asset value;
- (2) a guarantee made to outsiders by the Company with an aggregate amount reached or exceeding 30% of the latest audited net asset value;
- (3) a guarantee made to a party whose ratio of assets and liabilities exceeding 70%;
- (4) a guarantee of the amount exceeding 10% of the latest audited net asset value; and
- (5) a guarantee made to a shareholder, the actual controlling party and/or their related party.

(23) The existing Article 54 be amended as follows:

Article 57 Unless the Company is under special circumstances such as a crises, and with prior approval of the general meeting of shareholders, without approval by a special resolution by the general meeting of shareholders, the Company may not enter into any contract with any person other than a director, supervisor, manager or other senior management personnel of the Company whereby the management of the whole of substantial part of the business of the Company is to be handed over for taking care of by such person.

(24) The existing Article 55 be amended as follows:

Article 58 The general meeting of shareholders may be annual general meetings or extraordinary general meetings. The general meeting of shareholders shall be convened once a year and shall take place within six months from the end of the previous financial year.

The board of directors shall convene an extraordinary within two months from the date of actual occurrence of any one of the following circumstances:

- (1) the number of directors falls short of the number as stipulated by the Company Law or is less than two-thirds of the number as required by these Articles of Association;
- (2) the accrued losses of the Company amount to one-third of its aggregate share capital;
- (3) shareholders that hold 10% or more shares of the Company's issued shares make a written request to convene an extraordinary general meeting;
- (4) such meeting is considered necessary by the board of directors or proposed to be convened by the supervisory board;
- (5) other circumstances as stipulated by laws, administrative regulations, departmental rules or these Articles of Association.

(25) The following wording be inserted as Articles 59 to 62 immediately after the revised Article 58:

Article 59 An independent director has the right to propose the board of directors to convene an extraordinary general meeting. In respect to the proposal by the independent director for convening an extraordinary general meeting, the board of directors shall, in accordance with the laws, administrative regulations and these Articles of Association, give a written reply as to whether agree or disagree with such proposal for convening an extraordinary general meeting within ten days upon receipt of such proposal.

In the event that the board of directors agrees to convene an extraordinary general meeting, a notice for convening such meeting shall be given within five days after the resolutions of the board of directors is passed. In the event that the board of directors disagrees to convene an extraordinary general meeting, an explanation shall be given and an announcement shall be made.

Article 60 Where the supervisory committee or shareholders decides to convene the general meeting of shareholders on its own initiative, it shall send out a written notice to the board of directors, and shall submit the records to the branch of CSRC at the city where the Company is located and the stock exchange.

Prior to the announcement of the resolution of the general meeting of shareholders, the shareholding ratio of the shareholders convening the general meeting shall not be less than 10%.

Upon the notice and the announcement of resolution of the general meeting of shareholders, the shareholders convening the general meeting shall submit the relevant documentary proof to the branch of CSRC at the city where the Company is located and the stock exchange.

Article 61 Where the general meeting of shareholders is convened by the supervisory committee or shareholders on its own initiative, the board of directors and its secretary shall work in a cooperative manner. The board of directors shall provide the register of shareholders prepared on the date of equity registration.

Article 62 Where the general meeting of shareholders is convened by the supervisory committee or shareholders on its own initiative, the expenses necessary for the general meeting shall be borne by the Company.

The numbering of Article 56 has been changed to Article 63 accordingly.

(26) The original Article 57 be amended as follows:

Article 64 After the convener dispatches the notice of convention of the general meeting of shareholders, such general meeting shall not be postponed without justifiable causes. Where the convention of such general meeting must be postponed for special reasons, the Company shall give a notice of postponement within at least two working days before the original date of such general meeting. The convener shall explain the reasons for the postponement and announce the date of postponed general meeting in the notice of postponement.

(27) Addition of Article 65 following the revised Article 64:

Article 65 The contents of a proposal shall be within the terms of reference of the general meeting of shareholders, and have definite agenda and specific matters for resolution, and shall comply with the relevant provisions of the laws, administrative regulations and the Articles of Association of the Company.

(28) The original Article 58 be amended as follows:

Article 66 Where the Company convenes an annual general meeting of the shareholders, the shareholders of 5% or more of the total voting shares of the Company shall be entitled to put forth a new proposal in writing to the Company. The Company shall give supplemental notice of the general meeting within two days after receiving such proposal to announce the contents of such provisional proposal. Any matters contained in such proposal which are within the terms of reference of the general meeting of the shareholders shall be listed in the agenda of the meeting.

Saving as prescribed in the preceding provisions, subsequent to the notice or announcement of the general meeting of shareholders, the proposals already listed in the notice of the general meeting or the newly added proposals shall not be amended.

The general meeting of shareholders shall not vote on or pass a resolution for any proposal which is not listed in the notice of the general meeting or inconsistent with Article 65 of these Articles of Association.

The numbering of the original Article 59 has been changed to Article 67 accordingly.

(29) The original Article 60 be amended as follows:

Article 68 The notice of the shareholders' meeting shall satisfy the following requirements:

- (1) To be given in writing;
- (2) To specify the venue, date and time of the meeting;
- (3) To include any matter and proposal to be tabled in the meeting;
- (4) To provide to the shareholders the necessary information and explanation for the purpose of facilitating the shareholders to make sound decisions on the matters deliberated; this principle shall include (but not limited to) the circumstances in which the Company shall provide the specific conditions and contract (if any) of a proposed transaction and a thorough explanation of the causes and consequences of such transaction when the Company proposes merger, share repurchase, capital restructuring or other reorganization;
- (5) To disclose the nature and extent of interest if any director, supervisor, manager and other senior management personnel has material interest in the matters deliberated; and to explain the difference (if any) between the impact of the matters on such director, supervisor, manager and other senior management personnel as shareholder and the impact on the shareholders of the same class;

- (6) To contain the full text of any special resolution proposed to be passed at the meeting;
- (7) To specify in clear wordings that all shareholders are entitled to attend the general meeting, and that each of the shareholders entitled to attend and vote is also entitled to appoint in writing one or more than one proxy to attend and vote on his or her behalf; and such proxy may not be a shareholder;
- (8) To specify expressly the date and place for serving the power of attorney authorizing the proxy to vote;
- (9) To specify the date of equity registration of the shareholders who are entitled to attend the general meeting;
- (10) To contain the name and telephone number of the permanent contact person.

Where the Company convenes the general meeting and provides to domestic shareholders the ways of voting such as internet or other means, the time and procedure of voting through internet or by other means and the matters to be deliberated shall be specified in the notice of general meeting. The time of voting through internet or other means shall be no earlier than 3:00 p.m. on the day before the live general meeting and no later than 9: 30 a.m. on the day of the live general meeting, and shall be concluded no earlier than 3:00 p.m. on the day the live general meeting ends.

(30) Addition of Article 69 following the revised Article 68:

Article 69 Where the general meeting of shareholders intends to deliberate the election of directors or supervisors, the notice of convening the General Meeting of Shareholders shall fully disclose the detailed information on the candidates for directors or supervisors at least in the following aspects:

- (1) educational background, working experience, concurrent positions, and other personal information;
- (2) whether such candidate has any affiliation with the Company or its controlling shareholders and actual controllers;
- (3) the number of shares of the Company such candidate holds; and
- (4) whether such candidate has been subjected to the punishment of the CSRC or any other relevant departments or the reprimand of the stock exchange.

Saving the directors or supervisors who are elected by way of cumulative voting system, a single proposal shall be put forward for each candidate for directors or supervisors.

The numbering of the original Articles 60 and 61 has been changed to Articles 70 and 71 accordingly.

(31) Addition of Articles 72-74 following the revised Article 71:

Article 72 The board of directors of the Company or any other convener shall take necessary measures to guarantee the good order of the general meeting of shareholders, take measures to deter any act disturbing the general meeting, picking quarrels and provoking troubles or infringing the lawful rights and interests of any shareholder, and shall report in a timely manner such act to the relevant department for investigation and punishment.

Article 73 All shareholders or their agents already registered as at the date of equity registration shall be entitled to attend the general meetings of shareholders. Their voting rights shall be exercised in accordance with the relevant laws, regulations and these Articles of Association.

Any shareholder who is entitled to attend the general meeting of shareholders and vote may attend the general meeting of shareholders in person, or appoint one proxy or several proxies (who may not be shareholder) to attend or vote on the behalf of such shareholder.

Article 74 Shareholder attending the general meeting in person shall present his or her identity card or other valid certificate or proof showing his or her identity, stock account certificate; proxy appointed by the shareholder shall present his or her identity card and power of attorney issued by the shareholder.

Corporate shareholder shall entrust the legal representative or its agent to attend the general meeting. Legal representative attending the general meeting shall present his or her identity card and valid proof showing the status of legal representative; the agent attending the general meeting shall present his or her identity card and a power of attorney in writing issued by the legal representative of the corporate shareholder in accordance with law.

The numbering of the original Article 63 shall be changed to Article 75 accordingly.

(32) The original Article 66 be amended as follows:

Article 76 Shareholder shall entrust his or her proxy in writing, the power of attorney shall be signed by the proxy or the agent entrusted in writing by the proxy. Where the proxy is a legal person, the chop of the legal person should be affixed, or the director or the agent officially entrusted shall sign such power of attorney.

The power of attorney issued by the shareholder authorizing his or her proxy to attend the general meeting should contain the following information:

- (1) Name of the proxy;
- (2) Whether such proxy has voting right or not;
- (3) Separate direction as to affirmation, objection and veto to each matter to be deliberated in the agenda of the general meeting;
- (4) Issue date and validity period of the power of attorney;
- (5) Signature (or chop) of the principal.

The numbering of the original Articles 64-67 shall be changed to Articles 77-79 accordingly.

(33) Addition of Articles 80-81 following the revised Article 79:

Article 80 The register of attendees of the general meeting shall be prepared by the Company. Such register shall specify information such as the name of the persons (or units) attending the general meeting, identity card number, residential address, number of shares or voting shares held, name of the persons (or units) the proxy represents.

Article 81 The convener and the legal counsel retained by the Company shall jointly verify the qualification of shareholder with the register of shareholders provided by the securities depository and clearing authority, and shall register the name of the shareholders as well as the number of their voting shares. Such registration shall be concluded prior to the announcement by the chairman of the general meeting the number of shareholders and their proxies attending the meeting and the total number of their voting shares.

The numbering of the original Articles 68-77 shall be changed to Articles 82-91 accordingly.

(34) The original Article 78 be amended as follows:

Article 92 The following matters shall be approved by passing of special resolution at the general meeting of shareholders:

- (1) Increase or reduction of the Company's capital, issue of any type of shares, options and other similar types of securities;
- (2) Issue of the Company's bonds;
- (3) Separation, merger, dissolution and liquidation of the Company;
- (4) Amendment to these Articles of Association;
- (5) Purchase or sale of material assets by the Company within one year, or a guarantee amount exceeding 30% of the total assets in the most recent audit period of the Company;
- (6) Equity incentive planning;
- (7) Other matters as stipulated by laws, administrative regulations or these Articles of Association, and/or matters deemed by the general meeting by ordinary resolution to impose material effect on the Company and necessary for passing by special resolution.

The numbering of the original Article 79 shall be changed to Article 93 accordingly.

(35) The original Article 80 be amended as follows:

Article 94 Where any of the circumstances provided in Article 93 occurs, subsequent to the notice of the general meeting of shareholders, the Company shall give another notice of general meeting within three days after the date of equity registration.

The numbering of the original Article 81 shall be changed to Article 95 accordingly.

(36) Addition of Articles 96-103 following the revised Article 95:

Article 96 Where matters relating to a connected transaction are deliberated at the general meeting of shareholders, the connected shareholders should not participate in the voting, and the voting shares they represent shall not be counted in the total number of valid votes. The announcement of resolutions of the general meeting should fully disclose the voting status of the non-connected shareholders.

Article 97 Subject to the guarantee that the general meeting shall be legal and valid, the Company shall afford all facilities to the shareholders attending the general meeting by all ways and means, including modern means of information technology such as voting platform on internet.

Article 98 The name list of candidates for directors and supervisors shall be submitted by way of proposal to the general meeting for voting.

During voting at the general meeting on election of directors and supervisors, cumulative voting system may be implemented in accordance with the stipulations of these Articles of Association or the resolutions of the general meeting.

The “cumulative voting system” as in the foregoing means that each share has the number of voting right identical to the number of directors or supervisors to be elected, and the voting right owned by the shareholders may be cumulatively used when the general meeting elects the directors or supervisors. The board of directors shall announce to the shareholders the resume and basic information of the candidates for directors or supervisors.

Article 99 Saving for the cumulative voting system, the general meeting of shareholders shall vote on all proposals item by item, and shall vote on the proposals on in time sequence when various proposals are put forward for a single matter. Unless the general meeting of shareholders is suspended or no resolution can be passed due to force majeure or any other special reasons, the general meeting shall not set aside or cast no vote on the proposals.

Article 100 The resolutions of the general meeting shall be announced in a timely manner, and the announcement shall indicate the number of shareholders and proxies attending the meeting, the total number of their voting shares and the proportion in the total voting shares of the Company, the voting method, the voting results of each proposal and detailed information of each resolution passed.

Article 101 If a proposal is not passed or the general meeting of shareholders changes the resolutions of any previous general meeting, a special reminder shall be given in the announcement of the resolutions of the general meeting.

Article 102 Where a proposal on election of relevant directors or supervisors is passed at the general meeting of shareholders, and the date the newly appointed directors or supervisors enter on their offices shall be the date on which the general meeting concluded.

Article 103 Where the General Meeting of Shareholders passes the proposal on cash dividends, bonus shares or conversion of capital reserves into share capital, the Company shall implement specific scheme within two months upon the general meeting is concluded.

The numbering of the original Article 82 shall be changed to Article 104 accordingly.

(37) Addition of Articles 105-107 following the revised Article 104:

Article 105 During the general meeting of shareholders, the general body of shareholders and supervisors and the secretary of the board of directors should attend the meeting, the managers and other senior management personnel shall also be present at the meeting.

The directors, supervisors, senior management personnel shall give explanation and description to the inquiries and suggestions raised by the shareholders at the general meeting.

Article 106 The Company shall formulate rules of proceedings of the general meeting of the shareholders to specify in detail the convention and voting procedures of the general meeting, including notice, registration, deliberation of proposal, votes, vote counting, announcement of voting results, formation of resolutions, minutes and the signatures thereon, announcement, as well as the principles of authorization by the general meeting to the board of directors, the contents of such authorization shall be expressly specified.

Article 107 At the annual general meeting, the board of directors and the supervisory committee shall report their respective work of the previous year to the general meeting of shareholders, and each independent director shall also make his duty report correspondingly.

(38) The original Article 83 be amended as follows:

Article 108 The chairman of the general meeting shall, before voting, declare the number of shareholders and their proxies attending the meeting as well as the total number of their voting shares, and the number of shareholders and their proxies attending the meeting and the total number of their voting shares shall be subject to the register of the general meeting.

The chairman shall decide whether a resolution of the general meeting should be passed, and such decision shall be final and be announced at the meeting and recorded in the minutes of the meeting.

The numbering of the original Article 84 shall be changed to Article 109 accordingly.

(39) The original Article 85 be amended as follows:

Article 110 The method of vote counting by the general meeting and the vote counting results shall be recorded in the minutes of the meeting.

The minutes together with the valid information such as the attendance register of the attending shareholders and the power of attorney of their proxies, the votes cast by way of internet and by other means shall be kept at the premises of the Company for a period of ten years.

(40) Addition of Article 111 following the revised Article 110:

Article 111 The chairman shall guarantee the veracity, accuracy and completeness of the minutes of the meeting. The directors, supervisors, secretary of the board of directors, convener or their representative, chairman of the meeting shall sign on the minutes of the meeting. The minutes shall contain the following:

- (1) the time, venue, agenda of the meeting, and the name of the convener;
- (2) the name of the chairman of the meeting, the directors, supervisors, the secretary of the board of directors, managers and other senior management personnel attending or being present at the general meeting;
- (3) the numbers of domestic shareholders (including their proxies), overseas listed foreign shareholders (including their proxies), holders of tradable shares (including their proxies) and holders of non-tradable shares (including their proxies), the total number of their voting shares and the proportion in the total number of shares of the Company;
- (4) the process of deliberation of each proposal, the main points of speeches and the voting results (including the votes on each resolution by domestic shareholders, foreign shareholders, holders of tradable shares and holders of non-tradable shares);
- (5) the inquiries or suggestions of the shareholders as well as the corresponding replies or explanations;
- (6) the name of legal counsel, vote counters, and supervisors; and
- (7) other contents which shall be contained in the records of the meeting as prescribed by the Articles of Association of the Company.

The numbering of the original Article 86 shall be changed to Article 112 accordingly.

(41) Addition of Article 113 following the revised Article 112:

Article 113 The convener shall ensure that the continuity of the general meeting of shareholders until the final resolution is formed. Where the General Meeting of Shareholders is suspended or no resolution can be made due to force majeure or any other special causes, necessary measures shall be taken to resume or directly terminate the general meeting, and an announcement shall be made in a timely manner. Meanwhile, the convener shall report this to the branch the CSRC at the city where the Company is located and the stock exchange.

(42) The original Article 87 be amended as follows:

Article 114 Matters such the convention and voting procedures of the general meeting and the deliberation of proposal, including notice, registration, deliberation of proposal, votes, vote counting, announcement of voting results, formation of resolutions, minutes and the signatures thereon, announcement, as well as the principles of authorization by the general meeting to the board of directors, the contents of such authorization, and other matters which have not been stipulated by these Articles of Association, shall be performed in accordance with the relevant provisions of the Rules of Proceedings of the General Meeting of Shareholders of the Company.

The numbering of the original Articles 88 through 90 shall be changed to Article 115 through 117 accordingly.

(43) The first paragraph of the original Article 91 be amended as follows:

Article 118 The classes of shareholders being affected, with or without voting rights at the general meeting of shareholders, shall have voting rights at the class meeting of shareholders in relation to matters specified in Articles 117(2) through (8), (11) through (12). However, shareholders having interest shall not have any voting rights at the class meeting of shareholders.

(44) The original Article 92 be amended as follows:

Article 119 The resolutions of the class meeting of shareholders shall be passed only through voting by shareholders having more than two-thirds of equity interest with voting rights and attending such class meeting in accordance with Article 118.

The numbering of the original Articles 93 through 96 shall be changed to Article 120 through 123 accordingly.

(45) The original Article 97 be amended as follows:

Article 124 Directors shall be elected at the general meeting of shareholders, with a term of office of three years. Upon expiration of the term, the directors may be re-elected and serve consecutive terms.

The written notice of the intention of the nominees of the candidates for directors and of the acceptance by the candidates to be nominated shall be served on the Company seven days before the convention of the general meeting of shareholders.

Directors and deputy directors shall be elected or dismissed by a majority of the general body of directors. The term of office of directors and deputy directors shall be three years and they may be re-elected and serve consecutive terms.

Subject to the compliance of the provisions of the relevant laws and administrative regulations, the general meeting of the shareholders may dismiss by ordinary resolution any directors of whom the term of office has not expired (the claim for compensation under any contracts shall however be not affected).

The term of directors shall commence on the date of entering on the office, and shall end on the date the term of the board of directors expires. Prior to the expiry of the term of a director, the general meeting of shareholders shall not dismiss the duties of such director without any reasons. Where no new appointment is made upon expiry of the term of a director, the original director shall, prior to the new director entering on the office, continue to perform his or her duties as a director in accordance with the provisions of laws and administrative regulations and the Articles of Association of the Company.

Managers or other senior management personnel shall serve the office of director concurrently. However, the total number of directors serving the office of manager or other senior management personnel concurrently and labour union representative holding the office of director shall not exceed half of the total number of directors of the Company.

Directors are not required to hold shares of the Company.

(46) Addition of Articles 125 through 128 following the revised Article 124:

Article 125 Where a director is unable to attend in person the general meeting of directors twice or has not entrusted other directors to attend, he or she shall be deemed as not performing his or her duties, and the board of directors shall recommend the general meeting of the shareholders to dismiss and replace such director.

Article 126 Directors may resign before his or her term of office expires. Directors resigning shall submit notice of resignation in writing to the board of directors.

If the resignation of a director causes the number of directors constituting the board of directors to fall below the quorum, the original director shall, prior to the new director entering on the office, continue to perform his or her duties as a director in accordance with the provisions of laws and administrative regulations and the Articles of Association of the Company.

Saving for the circumstances listed in the foregoing, the resignation of a director takes effect upon the notice of resignation is served.

Article 127 Upon the resignation of a director takes effect or the expiry of the term of office, such director shall duly complete all handover. The fiduciary duties owed by the director to the Company and shareholders will not be released for certain before or within a reasonable period of time after the resignation takes effect. The obligation of confidentiality of such director in relation to the commercial secrets of the Company remains effective after the term of such director ends until such commercial secrets become public information. The continuity of other obligations shall be determined on the principle of fairness, and dependent on the length of time between the incident occurs and the resignation, as well as the conditions and circumstances under which the director terminates his or her relationship with the Company.

Article 128 Without stipulation by these Articles of Association or lawful authorization by the board of directors, no director shall in his or her own name act for the Company or the board of directors. Where a director acts in his or her own name but a third party reasonably believes that such director is acting for the Company or the board of directors, such director shall declare in advance his or her position and status.

(47) The original Article 98 be amended as follows:

Article 129 The board of directors is accountable for the general meeting of the shareholders and shall exercise the following powers:

- (1) convention of general meetings of shareholders, and report to the general meetings;
- (2) performance of the resolutions of the general meeting;
- (3) formulation of the business plan and investment scheme of the Company;
- (4) formulation of the annual financial budget and financial accounting policy of the Company;
- (5) formulation of the profit distribution policy and loss recovery policy of the Company;
- (6) formulation of the policy of increase or reduction of registered capital and the policy of issue of corporate bonds of the Company;
- (7) drafting of the policies of material corporate acquisition, acquisition of shares of the Company, or the merger, separation, dissolution and liquidation of the Company;
- (8) making decision on the establishment of internal management system in the Company;
- (9) employment or dismissal of the managers of the Company; on the basis of nomination, employment or dismissal of the assistant managers, person in charge of finance and other senior management personnel of the Company; making decision on their remuneration;
- (10) formulation of the basic management system of the Company;
- (11) formulation of the proposal on amendment of these Articles of Association;
- (12) making decision on external guarantee where the items guaranteed satisfying the conditions of the Company involves an amount of more than 10% (or 10%) of the net assets in the consolidated financial statements of the most recent fiscal year;
- (13) making decisions on matters such as external investment, acquisition and sale of assets, mortgaged assets, external guarantee, financial management by commission, connected transaction, within the scope of authorization by the general meeting of shareholders;
- (14) management of disclosure of information of the Company;
- (15) proposal to the general meeting of shareholders on employment or replacement of accounting firm responsible for auditing for the Company;
- (16) receiving the work report of the managers of the Company and checking the work of the managers;

- (17) other powers granted by these Articles of Association and the general meeting of shareholders.

When the board of directors makes resolutions on the aforesaid matters, saving for matters as set out in sections (6), (7), (11) and (12) which require consent by more than two thirds of directors through voting, the remaining matters may be approved by more than half of directors through voting.

(48) Addition of Articles 130 through 131 following the revised Article 129:

Article 130 The board of directors shall explain to the general meeting of shareholders regarding the non-standard auditors' advice given by the chartered accountant in relation to the financial report of the Company.

Article 131 The board of directors shall formulate the rules of proceedings of the board of directors, for the purpose of ensuring the implementation by the board of directors of the resolutions of the general meeting of shareholders, enhancing work efficiency, and guaranteeing scientific decision making.

The rules of proceedings of the board of directors shall provide for the convention of the meetings of board of directors and voting procedures.

(49) The numbering of the original Article 99 be changed to Article 132 and the following be added thereafter:

The board of directors shall determine external investment, acquisition and sale of assets, mortgaged assets, external guarantee, financial management by commission, licence for connected transaction, establishment of stringent examination and decision making procedures; specialists or professional personnel shall be organized to assess and examine any material investment projects and such investment projects shall be submitted to the general meeting of shareholders for approval.

The board of directors of the Company shall determine in the Articles of Association the scope of licence which satisfies the specific requirements of the Company, as well as the specific capital-asset ratio, in accordance with the relevant laws, regulations and the actual situation of the Company.

(50) The original Article 100 be amended as follows:

Article 133 Chairman of the board of directors shall exercise the following powers:

- (1) To preside the general meeting of shareholders, and to convene, preside the meetings of the board of directors;
- (2) To supervise and check the actual status of the board resolutions;
- (3) To sign the securities issued by the Company;
- (4) Other duties assigned by the board of directors.

The Vice Chairman of the board of directors shall assist the Chairman. The Chairman must exercise or perform his or her powers and duties, and may appoint one Vice Chairman to exercise powers on his or her behalf. Where a Vice Chairman is unable to or does not perform his or her duties, a majority of the directors may jointly elect one director to perform the duties.

The numbering of the original Article 101 shall be changed to Article 134 accordingly.

(51) The original Article 102 be amended as follows:

Article 135 Where it is necessary to convene a provisional meeting of board of directors, a notice shall be given to the general body of directors by e-mail, telephone, telegraph or facsimile at least 48 hours in advance.

Shareholders representing more than one tenth of voting rights or more than one third of directors, supervisors or managers of the Company may propose to convene a provisional meeting of board of directors. The Chairman of the board of directors shall convene and preside a board meeting within ten days after receiving such proposal.

(52) The original Article 103 be amended as follows:

Article 136 The meeting of board of directors shall be convened in the attendance of more than one half of directors.

Each director shall have one vote. Resolutions made by the board of directors must be passed by a majority of the general body of directors.

Where number of opposing votes and that of affirmative votes are the same, the Chairman of the board of directors shall be entitled to have one vote.

No directors shall vote on any transaction in which he or she or his or her associates (“associate” is defined in accordance with the general statutory interpretation in the jurisdiction where the shares of the Company are listed) has or have material interest, and such directors nor exercise voting rights on behalf of other directors. Such directors shall not be counted in the number of attendees of the relevant meeting of the board of directors. Such board meeting shall be convened in the attendance of a majority of non-connected directors. Resolutions made by the board meetings shall be approved by a majority of non-connected directors. Where there are less than three non-connected directors in a board meeting, any matters to be deliberated shall be submitted to the general meeting of shareholders.

(53) The original Article 104 be amended as follows:

Article 137 Notice given in writing shall be in Chinese language. Such notice shall contain all information such as agenda, time and date, venue, period, cause, matters to be discussed of the meeting, and date of issue of such notice. If any director who attends the meeting but has not stated before or upon attendance the no notice of the meeting has been received, such director shall be deemed to have received the notice of the meeting.

The numbering of the original Articles 105 and 106 shall be changed to Articles 138 and 139 accordingly.

(54) The original Article 107 be amended as follows:

Article 140 Directors shall attend any meeting of the board of directors in person. Where a director is unable to attend for some reasons, he or she may authorize in writing another director to attend the board meeting on his or her behalf. The instrument of proxy shall specify the name of the proxy, the matters to be authorized, scope of authorization and validity, and the proxy shall sign on or affix a chop to such instrument.

The director attending the meeting for another director shall exercise the rights of latter director within the scope of authorization. Any director who is unable to attend a particular board meeting without authorizing a proxy to attend shall be deemed as waiving the right to vote at that meeting.

The numbering of the original Articles 108 and 109 shall be changed to Articles 141 and 142 accordingly.

(55) Addition of Article 143 following the revised Article 142:

Article 143 The minutes of the board of directors shall be kept as records of the Company for a period of ten years. Such minutes shall include the following:

- (1) date and venue of the meeting, and the name of the convener;
- (2) names of attending directors and the directors (or proxies) attending the board meeting on behalf of others;
- (3) agenda of the meeting;
- (4) main points of the speeches of the directors;
- (5) methods and results of voting of each resolution (voting results shall specify the number of affirmative, opposing or veto votes).

The numbering of the original Articles 110 through 127 shall be changed to Articles 144 through 161 accordingly.

(56) The original Article 128 be amended as follows:

Article 162 The Company shall have one General Manager, who shall be hired or dismissed by the board of directors. The term of office shall be three years, and such General Manager may be re-hired and serve consecutive terms.

Managers may resign before his or her term expires. The specific procedures and methods for resignation of manager shall be specified in the employment contract between the manager and the Company.

The numbering of the original Articles 129 through 130 shall be changed to Articles 163 through 164 accordingly.

(57) The original Article 131 be amended as follows:

Article 165 When the General Manager of the Company exercising his or her powers, he or she shall perform the fiduciary obligation and due diligence, in accordance with the provisions of the laws, administrative regulations and these Articles of Association as well as the bye-laws relating to the General Manager of the Company. Where the General Manager violates any laws, regulations or the provisions of these Articles of Association and causes loss to the Company, the board of directors of the Company shall take legal action for compensation.

The bye-laws relating to the General Manager are as follows:

- (1) conditions and procedures of the convention of General Manager meeting and the personnel attending;
- (2) specific duties and allocation of work of the General Manager and other senior management personnel;
- (3) usage of the capital or assets of the Company, licence for entering into material contract, and reporting system to the board of directors and supervisory board;
- (4) other matters deemed necessary by the board of directors.

The numbering of the original Article 132 shall be changed to Article 166 accordingly.

(58) The original Article 133 be amended as follows:

Article 167 The supervisory board shall comprise of three persons, one of whom shall act as Chairman of the supervisory board. The term of office of supervisor shall be three years and the supervisor may be re-elected and serve consecutive terms. The appointment and dismissal of the Chairman of the supervisory board shall be passed by more than two thirds of the members of the supervisory board through voting.

Where no new appointment is made upon expiry of the term of a supervisor, or the resignation of a supervisor causes the number of supervisors constituting the supervisory board to fall below the quorum, the original supervisor shall, prior to the new supervisor entering on the office, continue to perform his or her duties as a supervisor in accordance with the provisions of laws and administrative regulations and the Articles of Association of the Company.

Supervisors shall guarantee the veracity, accuracy and completeness of the information disclosed by the Company. Supervisors shall comply with the laws, administrative regulations and these Articles of Association, and owe fiduciary obligation and due diligence. No supervisor shall abuse his or her powers and accept bribery or other unlawful proceeds, and misappropriate the assets of the Company.

No supervisor shall use his or her affiliation to injury the interest of the Company. Where any loss is thus caused to the Company, the supervisor shall be liable for compensation.

Where a supervisor violates any laws, administrative regulations, departmental regulations or the provisions of these Articles of Association in the course of performing his or her duties, and causes loss to the Company, such supervisor shall be liable for compensation.

The numbering of the original Articles 134 shall be changed to Article 168 accordingly.

(59) The original Article 135 be amended as follows:

Article 169 Directors, General Manager and other senior management personnel shall not hold the office of supervisor concurrently.

The numbering of the original Article 136 shall be changed to Article 170 accordingly.

(60) The existing Article 137 be amended as follows:

Article 171 The supervisory board shall be accountable to all shareholders and shall exercise the following functions and duties:

- (1) to examine the Company's financial affairs;
- (2) to supervise the Company's directors, general manger and other senior management personnel to see whether they violate any laws, administrative regulations or these Articles of Associations when performing their duties and to propose on dismissal of directors or senior management personnel in violation of laws, administrative regulations, these Articles of Associations or resolution passed in a general meeting of shareholders;
- (3) if an act of the Company's director, manager and other senior management personnel prejudices the interests of the Company, to request such person to correct such act;
- (4) to verify accounting reports, business reports, profit distribution plans and other such financial information proposed to be tabled at the general meeting of shareholders by the board of directors and to appoint, in the name of the Company, a certified accountant or practicing auditor to assist the review should any queries arise;
- (5) to propose convening an extraordinary general meeting;
- (6) to represent the Company in negotiations with directors or in initiating legal proceedings against a director;
- (7) to review the Company's regular reports formulated by the board of directors and to provide written opinion on such review;
- (8) to make proposals to the general meeting of shareholders;
- (9) to conduct investigation upon discovering irregularities in the business operations and may appoint professional organizations such as accounting firms and/or law firms to assist in the investigation if necessary; such expenses shall be borne by the Company;
- (10) other functions and powers as stipulated in these Articles of Associations.

Supervisors may attend meetings of the board of directors and query resolutions of the board of directors or give suggestions.

The existing Article 137 shall be re-numbered as Article 172 accordingly.

(61) The existing Article 138 be amended as follows:

Article 173 The supervisory committee shall be formulate a set of rules for the supervisory board to specify the rules of procedures and voting procedures of a supervisory committee in order to ensure the efficiency and scientific method in making decision.

The rules of the supervisory committee should include the converning, consideration and voting preceudures of meetings of the suprervisory committe.

(62) The existing Article 139 be amended as follows:

Article 174 The supervisory board shall record minutes of meeting and the supervisors present at the meeting shall sign on the minutes of meeting. Supervisors shall have the right to request the minutes recording certain explanatory description on his speech in the meeting. Minutes of meetings of the supervisory board shall be properly maintained by the Company as an important file and shall be kept for ten year.

(63) A new Article 175 be inserted after the revised Article 174 as follows:

Article 175 Notice of a meeting of the board of the supervisors shall bear the following contents:

- (1) date, place and duration for convening the meeting;
- (2) reason for convening the meeting and agenda thereof;
- (3) date of notice being given.

The existing Articles 141 and 142 shall be re-numbered as Articles 176 and 177 accordingly.

(64) A new item (10) be inserted after the existing item (9) of Article 143 as follows:

Article 178 (10) other contents as required by laws, administrative regulations or departmental rules.

The existing Articles 144 through 149 shall be re-numbered as Articles 179 through 184 accordingly.

(65) The existing Article 150 be amended as follows:

Article 185 Directors, supervisors, General Manager and other senior management personnel violating the duties of a particular specific obligation shall be dismissed by the general meeting of shareholders with the knowledge, saving the circumstance stipulated in Article 51 hereof.

The existing Articles 151 through 154 shall be re-numbered as Articles 186 through 189 accordingly.

(66) The existing Article 155 be amended as follows:

Article 190 Any loan made by the Company in breach of Article 189 shall be forthwith repaid by the recipient of the loan regardless the term of the loan.

(67) The first paragraph of the existing Article 156 be amended as follows:

Article 191 Any guarantee of loan provided by the Company in breach of the first paragraph of Article 189 shall be unenforceable against the Company unless:

The existing Articles 157 through 161 shall be re-numbered as Articles 192 through 196 accordingly.

(68) New Articles 197 and 198 be inserted after the revised Article 196 as follows:

Article 197 Any person taking up the position other than a director in the organization of the Company's controlling shareholder or actual controlling party may not take up the position of senior management personnel of the Company.

Article 198 Senior management personnel who violates the provisions of laws, administrative regulations, departmental rules or these Articles of Association in his/her performance of duties and powers and causing the Company to suffer damages shall bear compensation liability.

The existing Articles 162 through 168 shall be re-numbered as Articles 199 through 205 accordingly.

(69) The existing Article 169 be amended as follows:

Article 206 No books of accounts other than those provided in accordance with laws may be established by the Company. Assets of the Company shall not be deposited in accounts opened and maintained in the name of any individual.

(70) The existing Article 170 be amended as follows:

Article 207 The profits of the Company after tax shall be distributed to uses in the following order:

- (1) Making up loss;
- (2) Depositing as statutory reserve;
- (3) Deposition as discretionary reserve;
- (4) Payment of ordinary share dividend.

The board of directors of the Company shall determine the specific proportion of profit distribution to uses as set out in sections (3), (4) above in accordance with the laws, administrative regulations and the business and development needs of the Company, and such proportion shall be submitted to the general meeting of shareholders for approval.

Where the general meeting of shareholders is in breach of the first paragraph of this Article to make profit distribution to the shareholders before offsetting the losses and contributing to the statutory surplus reserve, the shareholders shall return the profits so distributed to the Company.

The existing Articles 171 and 172 shall be re-numbered as Articles 209 and 210 accordingly.

(71) The existing Article 173 be amended as follows:

Article 211 The Company shall distribute dividends on an annual basis. After the Company's general meeting of shareholders has passed a resolution on profit distribution proposal, the Company's board of directors shall complete the distribution of dividends within two months after the conclusion of the general meeting of shareholders. No dividend shall be distributed before the Company offsets its losses and makes contributions to the statutory surplus reserve and the statutory public welfare fund.

The existing Articles 174 through 177 shall be re-numbered as Articles 212 through 214 accordingly.

(72) A new Chapter 17 be inserted immediately preceding the existing Chapter 17 as follows:

Chapter 17 Internal Audit

Article 215 The Company shall implement an internal audit system and hire professional audit personnel to carry out internal audit and supervision on the Company's financial income and expenses and economic activities.

Article 216 The Company's internal audit system and the duties of the audit personnel thereof shall be implemented after approval by the board of directors. The audit responsible senior management personnel shall be accountable and report to the board of directors.

The existing Chapters 18 through 25 shall be re-numbered as Chapters 19 through 26 accordingly.

(73) The existing Article 178 be amended as follows:

Article 217 The Company shall appoint an independent accounting firm which complies with the relevant requirements of the State to conduct audit on the annual financial statement and to review other financial reports (including accounting reports and verification on net assets etc.) and to provide other related services.

The existing Articles 179 and 180 shall be re-numbered as Articles 218 and 219 accordingly.

(74) A new Article 220 be inserted immediately after the revised Article 219 as follows:

Article 220 The Company shall provide accurate and complete accounting vouchers, accounting books, financial and accounting reports and other accounting information to their auditor and shall not refuse to provide, conceal or give false information.

The existing Articles 181 through 196 shall be re-numbered as Articles 221 through 237 accordingly.

(75) The existing Article 197 be amended as follows:

Article 238 The Company shall be dissolved and liquidated pursuant to laws upon occurrence of any one of the following circumstances:

- (1) Dissolution due to expiry of business operation validity;
- (2) Dissolution by resolution of the general meeting of shareholders;
- (3) Dissolution due to merger or separation of the Company;
- (4) The Company is declared to be bankrupt in accordance with the laws due to inability to repay debts due;
- (5) The Company is held to be close by sanction in accordance with the laws due to violation of laws or administrative regulations;
- (6) In the event that the Company encounters serious difficulties in its business and its continuous operation will cause substantial losses to shareholders and such problem may not be solved by any other alternative, shareholder(s) holding 10% or more of the shares of the Company may request a people's court to proceed a mandatory dissolution of the Company.

(76) The existing Article 198 be amended as follows:

Article 239 Where the Company is dissolved in accordance with the provision of the above items (1) and (2) of the preceding Article, the Company shall set up a liquidation team within fifteen days, and the candidates in such liquidation team shall be determined by ordinary resolution at the general meeting of shareholders.

Where the Company is dissolved in accordance with the provision of the above item (4) of the preceding Article, the People's Court shall set up a liquidation team comprising of shareholders, relevant authorities and relevant professional personnel to liquidate the Company in accordance with the relevant provisions of the laws.

Where the Company is dissolved in accordance with the provision of the above item (5) of the preceding Article, the relevant authority shall set up a liquidation team comprising of shareholders, relevant authorities and relevant professional personnel to liquidate the Company.

Where the Company is dissolved in accordance with the provision of the above item (6) of the preceding Article, a liquidation task force shall be established to commence liquidation within fifteen days from the occurrence of the event which triggers the dissolution. The liquidation task force shall comprise members appointed by the directors or the general meeting of shareholders. In case of failure in establishing the liquidation task force within the prescribed time limit to proceed with the liquidation, the creditors may apply to a people's court to establish a liquidation task force comprising the relevant designated personnel to proceed with liquidation.

The existing Article 199 shall be re-numbered as Article 241.

(77) The existing Article 200 be amended as follows:

Article 241 The liquidation task force shall notify the creditors within ten days from the date of its establishment and publish no less than three announcements on the newspapers within sixty days. The creditors may, within thirty days from receipt of the notice (or within forty five days for those creditors who did not receive the notice), declare their creditors' rights to the liquidation task force.

Creditors declaring their creditors' rights shall provide details of the creditors' rights and the relevant proof. The liquidation task force shall register the creditors' rights.

During the declaration period, the liquidation task force shall not settle any creditors' rights.

The existing Article 201 shall be re-numbered as Article 242.

(78) A new Article 243 be inserted immediately after the revised Article 242 as follows:

Article 243 Members of the liquidation task force shall perform their duties diligently and perform liquidation obligations in accordance with laws.

Members of the liquidation task force shall not abuse their duties and rights to accept bribes or other illegal income and shall not convert the Company assets.

Members of the liquidation task force shall bear compensation liability towards the Company or its creditors for damages suffered by the Company or its creditors due to an intentional or serious mistake of the member(s) of the liquidation task force.

The existing Articles 202 through 211 shall be re-numbered as Articles 244 through 253 accordingly.

(79) A new Article 254 be inserted immediately after the revised Article 253 as follows:

Article 254 Notices of the Company given by public announcement shall be deemed received by all relevant personnel upon such announcement is made.

Notices of the Company given by hand delivery shall be deemed received upon signature (or chop affixation) on the delivery receipt by the recipient and the date of receipt shall be the date of such signature. Date of receipt of notices of the Company given by mail shall be the following working day from such notice is posted at a post office. Date of receipt of notices of the Company given by public announcement shall be the date of the first announcement is published.

The existing Articles 212 through 215 shall be re-numbered as Articles 255 through 258 accordingly.

Pursuant to the requirements of China Securities Regulatory Commission & the Shanghai Stock Exchange, it is recommended to make the following amendments to the relevant provisions of the Rules of procedures for shareholders' meetings of the Company:

(1) The existing Article 1 be amended to:

Article 1 In order to increase the efficiency of the Proceedings of General Meeting of Shareholders, to safeguard the legality of the proceedings and resolutions of the General Meeting of Shareholders, to fully protect the legal rights of all shareholders, these discussion rules are hereby made in accordance with the "People's Republic of China Company Law" (hereinafter shortened as the "Company Law"), "Rules for General Meeting of Shareholders of Listed Companies", "Code of Corporate Governance of Listed Companies", "Articles of Association of Guangzhou Pharmaceutical Limited Company" (hereinafter shortened as the "Company's Articles") and other relevant laws, regulations and stipulations of regulatory documents both within and outside the mainland China territory.

(2) Addition of Article 2 following Article 1:

Article 2 The Company shall convene general assemblies of shareholders according to the laws, administrative regulations, these Rules and the relevant stipulations of the Company's Articles to ensure that shareholders can exercise their rights. The General Meeting of Shareholders shall exercise its function within the scope stipulated by the "Company Law" and the Company's Articles.

The board of directors shall thoroughly perform its functions, and arrange the General Meeting of Shareholders seriously according to the schedule. All directors of the board shall perform with diligence to ensure that the General Meeting of Shareholders shall be convened normally and exercise its functions in accordance with law.

The existing Article 2 will be changed to Article 3 accordingly.

(3) The existing Article 3 be amended as follows:

Article 4 The General Meeting of Shareholders exercises the following functions:

- (1) Decide upon the direction of operation and investment plan;
- (2) Elect and replace directors, determine the matters about directors' remuneration;
- (3) Elect and replace the supervisors appointed by the shareholders, determine the matters about directors' remuneration;
- (4) Examine and approve the board of directors' report;
- (5) Examine and approve the supervisory board's report;

- (6) Examine and approve the Company's yearly financial budget proposal and finalized budget proposal;
- (7) Examine and approve the Company's distribution of profits proposal and the make-up of losses proposal;
- (8) Pass the resolution on the increase or reduction of registered capital of the Company;
- (9) Pass the resolution on matters about the Company's merger and acquisition, spin-off, dissolution and liquidation;
- (10) Pass the resolution on the issuance of bonds by the Company;
- (11) Pass the resolution on the appointment, termination or non-renewal of the accounting firm;
- (12) Amend the "Company's Articles" and these Rules;
- (13) Examine the motion by a shareholder representing over 5% voting rights of the Company;
- (14) The Company's General Meeting of Shareholders can authorize or entrust the board of directors to handle matters so authorized or entrusted;
- (15) Examine and approve the matters regarding guarantee stipulated in Article 5 of these Rules;
- (16) Examine the Company's acts of substantial purchase, sale and exchange of assets (the standard upon which it is based shall be the stock exchange regulations where it is listed);
- (17) Examine and approve matters about the change in applications of funds raised;
- (18) Examine stock incentive schemes;
- (19) Any other matters for which resolutions are to be made by the General Meeting of Shareholders as stipulated by laws, administrative regulations and the articles of association.

(4) Article 5 will be added following the existing Article 4:

Article 5 A resolution examined and passed by the General Meeting of Shareholders is required when the Company carries out the following acts of guarantee:

- (1) Any further guarantee provided by the Company and the Company's subsidiaries, once their total external guarantee amounts have reached or have exceeded 50% of the latest audited net assets;
- (2) Any further guarantee provided by the Company, once its total external guarantee amount has reached or has exceeded 30% of the latest audited net assets;

- (3) Any guarantee the subject of which exceeds an asset-liability ratio of 70%;
- (4) Any single guarantee the amount of which exceeds 10% of the latest audited net assets;
- (5) Any guarantee provided to shareholders, ultimate controlling persons and their associated parties.

The sequence number of the existing Article 4 to Article 8 will be changed to Article 6 and Article 10 accordingly.

(5) The existing Article 9 be amended as follows:

Article 11 The Company shall hire lawyers to attend the General Meeting of Shareholders and provide opinion and announcements in respect of the following issues:

- (1) Whether or not the convening itself, the convening procedures conform to the stipulations of the laws and regulations, and the Company's Articles;
- (2) To verify the qualifications of the personnel attending the General Meeting of Shareholders and the legal validity of the qualifications of the persons convening the meeting;
- (3) To verify the qualifications of any shareholders submitting new proposals in the annual General Meeting of Shareholders;
- (4) Whether or not the voting procedures, voting results are legally valid;
- (5) To provide legal advice on other issues upon the Company's request.

The board of directors of the Company may also hire notary to attend the General Meeting of Shareholders.

The sequence number of the existing Article 10 and Article 11 will be changed to Article 12 and Article 13 accordingly. Article 13 is to be cancelled.

(6) The following text will be added following the existing Article 16 Clause (8):

The General Meeting of Shareholders shall not be postponed or cancelled without sound reason once the notice of the convening of General Meeting of Shareholders has been made. Should postponement or cancellation occur, the persons convening the meeting shall make announcements and explain the underlying reasons at least two working days before the existing date of the meeting.

(7) **The existing Article 19 be amended as follows:**

Article 19 Any shareholder who is entitled to attend the General Meeting of Shareholders and vote may attend the General Meeting of Shareholders in person and exercise their voting rights, they can also appoint other people to attend and exercise the voting rights within the scope of the authorization.

Any shareholder having the right to attend the General Meeting of Shareholders and to vote, has the rights to appoint one or several person(s) (that person is not necessarily a shareholder) to act as his proxy and attend and vote on his behalf. That proxy shall act in accordance with the authorization of that shareholder and can exercise the following rights:

- (1) The right of speech of that shareholder in the General Meeting of Shareholders;
- (2) Requisition of a poll to pass a resolution by himself or together with others;
- (3) To vote by showing of hands or by poll, however, when more than one proxy have been appointed, those proxies shall only exercise their voting rights by way of poll.

Any shareholder who has to renounce his voting rights or who is restricted to vote in favour or against a certain motion due to the regulations, if that shareholder or his proxy makes a vote which violates those regulations, then that vote shall be deemed as invalid.

(8) **The existing Article 24 be amended as follows:**

Article 24 The motions of the General Meeting of Shareholders focus on the particular resolutions moved by the items to be discussed in the General Meeting of Shareholders. If they have clear topic and concrete matters in the motion, and are in accordance with the laws, administrative regulations and the relevant stipulations of the Company's Articles, then the General Meeting of Shareholders shall make a resolution on those particular motions.

Shareholders holding over 5% of the Company's shares individually or collectively can make a temporary motion and submit in writing to the persons convening the meeting 10 days before the date of General Meeting of Shareholders. The persons convening the meeting shall issue General Meeting of Shareholders supplementary notice announcing the contents of the temporary motion within 2 days upon receipt of the motion.

Except for the aforesaid stipulations, the persons convening the meeting shall not alter the motions listed in the agenda nor add new motions after he has issued the notice to convene the General Meeting of Shareholders.

The General Meeting of Shareholders cannot proceed to vote and to move a resolution of any motion not listed in the notice of General Meeting of Shareholders or which is not in accordance with the stipulations of Clause 1 of this Article.

(9) **The existing Article 25 be amended as follows:**

Article 25 The notice of General Meeting of Shareholders and the supplementary notice shall fully and completely disclose concrete contents of all motions, as well as all the necessary information and explanations about the items to be discussed so that the shareholders can make reasonable judgment. For those items requiring the opinions of the independent directors, the independent directors' opinions and reasons shall be disclosed at the same time when the notice of General Meeting of Shareholders or the supplementary notice are issued.

(10) **Article 26 will be added following the revised Article 25:**

Article 26 In the event that the General Meeting of Shareholders will discuss the election of directors and supervisors, the notice of the General Meeting of Shareholders shall provide adequate disclosure of detailed information of the director and supervisor candidates, including at the least the following contents:

- (1) Personal situations such as education background, work experience and part-time jobs;
- (2) Whether or not they have any connected party relationship with the listed company or its controlling shareholders and ultimate controlling persons;
- (3) Disclosure of the number of shares of the listed company that they hold;
- (4) Whether or not they have been subject to punishment by the China Securities Regulatory Commission and other relevant departments and the stock exchange;

Except for the election of directors and supervisors by accumulated vote system, an individual motion shall be made for each director and supervisor candidate.

The sequence number of the existing Article 26 will be changed to Article 27. At the same time, the existing Article 27 will be deleted.

(11) **The first paragraph of the existing Article 28 will be amended to:**

Article 28 The persons convening the meeting shall carry out verification of the motion according to the following principles in respect of the afore-mentioned temporary motion in the annual General Meeting of Shareholders:

(12) **Article 34 to Article 39 be added following the existing Article 33:**

Article 34 In the event of the General Meeting of Shareholders conducted by network or other means, the notice of General Meeting of Shareholders shall specify the time of the poll and the poll procedures of the network or other means.

The starting time of the poll by network or other means shall not be earlier than 3:00 pm of the on-site General Meeting of Shareholders, and shall not be later than 9:30 am of the date of the on-site General Meeting of Shareholders, its finishing time shall not be earlier than 3:00 pm of the date of on-site General Meeting of Shareholders closing.

Article 35 The board of directors and other persons convening the meeting shall take necessary measures to safeguard the order of the General Meeting of Shareholders. Regarding interruptions to the General Meeting of Shareholders, disruptive acts and behaviors infringing upon shareholders' legal rights, they shall take measures to stop them and report to the relevant authority for action.

Article 36 All shareholders and their proxies appearing on the register as of the equity interest registration date shall have the right to attend the General Meeting of Shareholders. The Company and the persons convening the meeting cannot refuse them on any ground.

Article 37 Shareholders shall hold stock account cards, identity cards or other valid certificates or proofs which show their identities in order to attend the General Meeting of Shareholders. Proxies shall also present proxy forms and personal valid identity documents.

Article 38 The persons convening the meeting and the lawyers shall verify together the legality of the shareholders' qualifications according to the register of shareholders provided by the securities registration and clearing organization, and shall register the shareholders' names and the number of shares with voting rights. The registration of the meeting shall terminate before the moderator of the meeting announces the total number of shareholders and proxies and the number of shares with voting rights.

Article 39 All directors, supervisors and company secretary shall attend the meeting when the Company conducts the General Meeting of Shareholders. Managers and other senior managerial staff shall be present in the meeting.

Directors, supervisors and senior managerial staff presenting in the General Meeting of Shareholders shall make explanations and briefings in response to shareholders' queries.

The sequence number of the existing Article 34 to Article 36 will be changed to Article 40 to 42 accordingly.

(13) Article 43 will be added following the revised Article 42:

Article 43 The moderator of the meeting shall announce the total number of shareholders and proxies present and the number of shares with voting rights before the poll. The total number of shareholders and proxies present and the number of shares with voting rights are based on the register of the meeting.

The sequence number of the existing Article 37 to Article 52 will be changed to Article 44 to 59 accordingly.

(14) Article 60 and Article 61 will be added following the revised Article 59:

Article 60 The General Meeting of Shareholders can use the accumulated vote system according to the Company's Articles or the resolution of the General Meeting of Shareholders when it proceeds to a poll regarding the election of directors and supervisors.

The so-called "accumulated vote system" in the above-mentioned provision refers to the situation where the General Meeting of Shareholders holds the election of directors and supervisors, when the number of voting rights of each share is the same as the number of director or supervisor candidates, then the shareholders' voting rights can be used in a collective manner.

Article 61 Besides the accumulated vote system, the General Meeting of Shareholders shall proceed to a poll on each motion one by one. For an item with different motions, it shall proceed to a poll according to their respective time sequence of submitting the motions. Unless otherwise due to special reasons such as force majeure rendering a General Meeting of Shareholders to terminate or cannot move a resolution, the General Meeting of Shareholders shall not shelf a motion or do not take a poll.

The sequence number of the existing Article 53 to Article 56 will be changed to Article 62 to 65 accordingly.

(15) Article 66 and Article 67 will be added following the revised Article 65:

Article 66 The General Meeting of Shareholders shall make announcements in time, the announcement shall list out the number of shareholders and proxies present in the General Meeting of Shareholders, the total number of shares with voting rights and the percentage share of the Company's total number shares with voting rights, the poll method, the poll result of each motion and the detailed contents of each resolution as well as the attendance and poll situations of domestic shareholders and foreign shareholders.

Article 67 A special reminder shall be made in the announcement of the General Meeting of Shareholders resolutions in respect of motions not passed, or those resolutions of the previous General Meeting of Shareholders amended during the current General Meeting of Shareholders.

(16) Delete the existing Article 57 to Article 63, and add Article 68 to Article 71:

Article 68 Independent directors have the rights to requisition the convening of a temporary General Meeting of Shareholders. In response to the independent directors' requisition of convening a temporary General Meeting of Shareholders, the board of directors shall make written feedback opinion as to agree or disagree with the convening of a temporary General Meeting of Shareholders within 10 days upon receipt of the requisition in accordance with the laws, administrative regulations and stipulations of the Company's Articles.

In the event that the board of directors agrees to convene a temporary General Meeting of Shareholders, it shall issue a notice of General Meeting of Shareholders within 5 days after the resolution of the board of directors is made; in case the board of directors does not agree to convene a temporary General Meeting of Shareholders, it shall explain the underlying reasons and make an announcement.

Article 69 In the event that the supervisory board or the shareholders decide to convene a General Meeting of Shareholders, they shall notify the board of directors in writing, and shall report in advance to the local authorized body of the China Securities Regulatory Commission and the stock exchange where the Company is located.

The shareholding of the shareholders convening the meeting shall not fall below 10% before making an announcement on the resolutions of the General Meeting of Shareholders.

The supervisory board and those shareholders convening the meeting shall submit the relevant proof materials to the local authorized body of the China Securities Regulatory Commission and the stock exchange where the Company is located when they issue a notice of General Meeting of Shareholders and make an announcement of the resolutions of the General Meeting of Shareholders.

Article 70 When the supervisory board and the shareholders convene a General Meeting of Shareholders themselves, the board of directors and the Company secretary shall cooperate. The board of directors shall provide the register of shareholders as of the equity interest registration date. In case the board of directors does not provide the register of shareholders, the persons convening the meeting can make an application to the securities registration and clearing organization to obtain the same by producing the relevant announcement of the notice of General Meeting of Shareholders. The register of shareholders obtained by the persons convening the meeting shall not be used for any other purposes other than the convening of the General Meeting of Shareholders.

Article 71 When the supervisory board or the shareholders convene a General Meeting of Shareholders themselves, the necessary costs of the meeting shall be borne by the Company.

The sequence number of the existing Article 64 to Article 66 will be changed to Article 72 to 74 accordingly.

(17) The existing Article 67 be amended as follows:

Article 75 Those categories of shareholders who are affected, whether they have voting right or not in the original General Meeting of Shareholders, shall have voting rights in the category General Meeting of Shareholders when the items in Items (2) to (8), (11) to (12) of Article 74 of these Rules are concerned. But those shareholders having an interest in the items shall not have voting rights in the category General Meeting of Shareholders.

The sequence number of the existing Article 68 to Article 79 will be changed to Article 76 to 87 accordingly.

(18) Article 88 and Article 90 will be added following the revised Article 87:

Article 88 The persons convening the General Meeting of Shareholders shall ensure that it is being conducted continuously until final resolutions are made. Should the General Meeting of Shareholders terminate or cannot make a resolution due to special reasons such as force majeure, necessary measures should be taken to resume the holding of the General Meeting of Shareholders as soon as possible or terminate that General Meeting of Shareholders directly, and make an announcement. At the same time, the persons convening the meeting shall report to the local authorized body of the China Securities Regulatory Commission and the stock exchange where the Company is located.

Article 89 In the event that the General Meeting of Shareholders passes the motion about the election of directors and supervisors, the newly appointed directors and supervisors shall resume duty according to the stipulations of the Company's Articles.

Article 90 In the event that the General Meeting of Shareholders passes the motions about dividend distribution, bonus shares or increase of capital by conversion of reserves, the listed company shall implement concrete schemes within 2 months after the closure of the General Meeting of Shareholders.

The sequence number of the existing Article 80 to Article 83 will be changed to Article 91 to 94 accordingly.

Pursuant to the requirements of China Securities Regulatory Commission & Shanghai Stock Exchange, it is recommended to make the following amendments to the relevant provisions of the Rules of Procedures for the Board of the Company:

(1) The existing Article 8 be amended as follows:

Article 8 The directors enjoy the following rights:

- (1) To attend the board of directors' meeting, and to exercise voting rights;
- (2) To appoint representatives for the Company in accordance with the Company's Articles or the board of directors;
- (3) To appoint execution companies of the Company in accordance with the stipulations of the Company's Articles or the board of directors;
- (4) Directors shall exercise the rights conferred to them by the Company in a cautious, serious and diligent manner to ensure that:
 1. The economic activities of the Company conform to the various requirements of laws, regulations of the state and economic policies, the activities shall not exceed the scope of business stipulated by the business licence;
 2. To treat all shareholders fairly;
 3. To study various business and financial reports seriously, and to understand the business operation and management situations in time;
 4. To exercise the right of managerial treatment conferred to them legitimately by the Company, and shall not be manipulated by others; they shall not transfer their rights of treatment to others without legal permission and permission by regulations or the General Meeting of Shareholders approval which is aware of such transfer;
 5. To sign written confirmation of opinions on the Company's periodic reports, to guarantee that the information provided by the Company is true, accurate and complete;
 6. To accept the legitimate supervision and reasonable suggestions by the supervisory board about their performance of duties, not to interfere the supervisory board or the directors performing their duties;
 7. Other duties of diligence stipulated by laws, administrative regulations, departmental rules and the stipulations of this Articles of Association.
- (5) The Company can take out a liability insurance policy for its directors subject to the approval by the General Meeting of Shareholders, but except those liabilities arising from the directors' violation of laws, regulations and stipulations of the Company's Articles.

(2) **The first paragraph of the existing Article 81 be amended as follows:**

Article 81 When the board of directors examines those items regarding connected transactions, the connected directors shall adopt a retreat system and refrain from participating in the poll, and shall not represent other directors to exercise their voting rights and shall not be counted in the number of attendants of the board of directors meeting. A board of directors meeting attended by over half of the directors without connected party relationship can be conducted. The resolutions made in the board of directors meeting shall be passed by more than half of the directors without connected party relationship. If the number of directors without connected party relationship present in the board of directors meeting is less than three, that item shall be submitted to the General Meeting of Shareholders for discussion.

(3) **The existing Article 93 be amended as follows:**

Article 93 The board of directors shall keep the minutes of all previous General Meeting of Shareholders and Board of Directors' Meetings, minutes of the supervisory board, summary, resolutions, financial audited reports, register of shareholders etc in the Company available for inspection. The retention period is 10 years.

Pursuant to the requirements of China Securities Regulatory Commission & Shanghai Stock Exchange, it is recommended to make the following amendments to the relevant provisions of the Rules of procedures for the Supervisory Committee of the Company:

(1) The existing Article 7 be amended as follows:

Article 7 Any of the following persons cannot act as the Company's supervisors:

- (1) Those without civil behavior capability or civil behavior capability limitation;
- (2) Those who have committed corruption, bribery, trespass of property, embezzlement of property or disturbance to the order of the society and economy, and have been sentenced penalty, the terms of penalty have expired less than 5 years, or those who have committed crime and have been deprived of political rights, the terms of penalty have expired less than 5 years;
- (3) Those directors or factory directors, managers who have worked for poorly managed, bankrupt and liquidated companies or enterprises, and they bear personal liabilities for the bankruptcy of such companies or enterprises, and less than 3 years have been elapsed since the end of liquidation of the companies or enterprises.
- (4) Legal representatives of those enterprises which have been ordered to close due to violation of laws and whose business licences have been cancelled, and who should bear personal liability, and less than 3 years have been elapsed since the date the companies' or enterprises' business licences had been cancelled;
- (5) Those with considerable outstanding amounts of personal debts on the due dates;
- (6) Those who have been ruled as forbidden to enter the market, and whose forbidden periods have not been removed cannot act as supervisors of any company;
- (7) Senior managerial staff such as directors, managers and financial personnel shall not also act as company supervisors;
- (8) Civil servants cannot also act as company supervisors;
- (9) Other contents stipulated by laws, administrative regulations or departmental rules.

The Company has the right to discharge any time the duties of those supervisors who experience the situations prescribed in this Article.

(2) The first paragraph of the existing Article 9 be amended as follows:

Article 9 The supervisory committee enjoys the following rights other than those authorities stipulated in the "Company's Articles":

(3) Clause 6 will be added to the existing Article 10:

Article 10 (6) The supervisory committee shall ensure the information disclosed by the Company is true, accurate and complete.

(4) The existing Article 12 be amended as follows:

Article 12 The supervisors can resign before the expiry of their terms. Written report shall be submitted to the supervisory committee about the resignation of supervisors.

If the number of supervisors in the Company's supervisory board fall below the legal minimum due to the resignation of a supervisor, that resignation report shall only be effective when the vacancy due to resignation has been filled by a replacement supervisor. That supervisor shall perform the duties of supervisors according to the laws, administrative regulations, and the relevant stipulations of the Company's Articles.

Except for the afore-mentioned situation in the previous provision, the resignation of a supervisor will be effective once the resignation report has been submitted to the supervisory committee.

If the resigning supervisor is a shareholders' representative, then a temporary General Meeting of Shareholders shall be convened as soon as possible so that the General Meeting of Shareholders can elect a replacement; If the resigning supervisor is an employee representative, then a temporary employee representative meeting, employees' general meeting or other forms shall be convened as soon as possible so that the employees can elect a replacement. Before the General Meeting of Shareholders or employee representative meeting makes a resolution in respect of the election of supervisor, the duties of that resigning supervisor and the remaining supervisors shall be under reasonable restrictions.

At the same time, delete the existing Article 16.

(5) The existing Article 17 be amended as follows:

Article 16 The supervisory committee performs the following duties according to the "Company Law", the "Company's Articles" and the relevant regulations:

- (1) To examine the finance of the Company, the supervisory committee has the right to investigate into the financial situation of the Company, to verify the Company's financial and accounting information and other information about its operation, management activities, review the financial reports audited by certified public accountants or signed by the president or general manager, to verify the authentication and legality of the fund usage report; the supervisory committee supervise the Company's financial and accounting matters, to exercise their supervisory rights over the Company's substantial business operation activities, to supervise, assess the Company's situation of operation and asset preservation and value-added;
- (2) To supervise those directors, general manager and other senior managerial staff who violate laws, regulations or the Company's Articles when performing their duties, and it has the rights to propose dismissal in this regard;
- (3) When the behavior of those directors, general manager and other senior managerial staff which are detrimental to the Company's interest, it shall request a correction, and report to the General Meeting of Shareholders if the situation warrants;

- (4) To request the convening of a temporary General Meeting of Shareholders, to convene a General Meeting of Shareholders when the board of directors does not perform their duties of convening and acting as moderator of a General Meeting of Shareholders according to the “Company Law”;
- (5) To attend board of directors meeting;
- (6) To move motions in a General Meeting of Shareholders;
- (7) To review the Company’s periodic reports compiled by the board of directors and to provide written review opinion;
- (8) To initiate litigation against directors or senior managerial staff according to the stipulations of Article 152 of the “Company Law”;
- (9) To carry out investigation when it discovers abnormal operation situation of the Company, and it can hire professional firms such as accounting firm, law firm to assist its work, the reasonable costs arising from this shall be borne by the Company.
- (10) Other duties conferred to it by the stipulations of the Company’s Articles or the General Meeting of Shareholders.

(6) The existing Article 18 be amended as follows:

Article 17 In the event that the supervisory committee decides to convene a General Meeting of Shareholders, they shall notify the board of directors in writing, and shall report in advance to the local authorized body of the China Securities Regulatory Commission and the stock exchange where the Company is located.

The existing Articles 19 and 20 will be re-numbered as Articles 18 and 19 correspondingly.

(7) Clause (5) to Clause (7) will be added to the existing Article 21 which will be re-numbered as Article 20:

- Article 20 (5) Representing the supervisory committee to report their work in the General Meeting of Shareholders;
- (6) Attending the board of directors meeting or appointing other supervisors to attend the board of directors meeting;
- (7) In case the directors or general manager have litigation against the Company, the person in charge in the supervisory committee shall represent the Company and proceed with the litigation against the directors or general manager.

(8) The existing Article 22 be amended as follows:

Article 21 In the event that the chairman of the supervisory committee cannot perform his duties or does not perform his duties, a supervisor elected by over half of the supervisors shall convene and act as moderator of the supervisory committee meeting.

The existing Articles 22 through 24 will be re-numbered as Articles 21 through 23 correspondingly.

(9) The existing Article 25 be amended as follows:

Article 24 The supervisory committee meeting can be conducted on site or with communication means:

- (1) The supervisory committee shall convene at least two meetings each year, and at least one meeting every 6 months, and the supervisors can requisition the convening of a temporary supervisory board meeting;
- (2) When convening a periodic supervisory board meeting, the written notice of meeting shall reach all the supervisors 10 days before the convening of the meeting, a temporary supervisory board meeting can be notified to all supervisors by mail, fax or telephone methods 8 hours before the convening of the meeting; the contents of the written notice shall include: the date of holding the meeting, venue, duration of the meeting, reasons or topics, the date of the notice;
- (3) The supervisory committee meeting shall be attended by the supervisors in person, in case the supervisors cannot attend, they can appoint other supervisors to attend on their behalf.

The appointment letter of those supervisors appointing other supervisors to attend shall state the names of the proxies, the items to be represented and validity duration, and shall be signed or stamped by the authorizer.

For those supervisors not attending the supervisory committee meeting, and have not appointed proxies to attend either, they shall be deemed as not performing the duties of the supervisors, and shall have forgone the voting right in that meeting.

- (4) A supervisory board meeting shall only be held when over half of the supervisors are present.

The existing Articles 26 and 27 will be re-numbered as Articles 25 and 26 correspondingly.

(10) Clause (4) of Article 28 be amended as follows:

Article 27 (4) The supervisory committee shall pass the items listed on the agenda by poll. Each supervisor has one voting right. The poll method is by showing of hands. The passing of resolutions shall only be valid when it is passed by over half of the supervisors present in the supervisory committee meeting. Under the prerequisite of protecting the supervisors to fully express their views, the supervisory committee temporary meeting can be conducted by way of communication methods, can be carried out by fax, and shall be signed by those supervisors present in the meeting.

The existing Articles 29 through 36 will be re-numbered as Articles 28 through 35 correspondingly.