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Anhui Expressway Company Limited

Rules of Procedures of the Board of Directors

CHAPTER 1 GENERAL PROVISIONS

- Article 1** The rules of procedures (these “Rules”) of the board of directors of Anhui Expressway Company Limited (the “Company”) are formulated in accordance with the Company Law of the People’s Republic of China (the “Company Law”), the Securities Law of the People’s Republic of China (the “Securities Law”), the articles of association (the “Articles”) of the Company, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “SEHK”) and Rules Governing the Listing of Stocks on the Shanghai Stock Exchange (the “SSE”) and with reference to the relevant laws and regulations of the State and local governments, to modernize the Company’s corporate systems and to enhance the structure of the Company’s corporate governance.
- Article 2** The objectives of these Rules are to further specify the functions and powers of the board of directors of the Company, to govern its operating and work procedures, to ensure that the responsibilities of the board of directors are strengthened, to ensure that the board of directors exercises its powers, performs its duties, and undertakes its obligations in accordance with the laws, to bring the decision-making function of the board of directors in the Company’s management into full play, and to regulate the work of the board of directors in accordance with the Articles.
- Article 3** The Company shall establish a board of directors pursuant to law. The board of directors is entrusted by the general meeting to be responsible for managing and operating the Company’s legal person assets and be accountable to the general meeting.
- Article 4** These Rules are applicable to Anhui Expressway Company Limited. Subsidiaries of the Company shall carry out relevant work in the spirit of these Rules as the case may be, and other affiliated companies may implement these Rules, mutatis mutandis.

CHAPTER 2 DIRECTORS

- Article 5** The directors of the Company shall be natural persons who may or may not hold shares of the Company.
- Article 6** Members of the board of directors must be elected by more than half of the voting rights held by the shareholders or shareholder representatives attending the general meeting. Directors shall serve a term of three years. A retiring director is entitled to be re-elected to serve a consecutive term.
- Article 7** The board of directors of the Company shall comprise nine members, at least three of whom shall be independent directors. The position of independent director shall not be taken by any shareholder of the Company or any person serving a position for any corporate shareholder of the Company, any internal staff member (e.g. manager or employee) of the Company, or any person connected with the Company or having interest relations with the management of the Company.
- Article 8** The number of directors who have taken specific positions of operation and management (e.g. general manager, deputy general manager, financial controller or other senior management officers) in the Company shall not exceed one third of the total number of directors.

Article 9 Apart from performing duties as a director and undertaking corresponding obligations, a director who has taken specific position of operation and management in the Company shall have the following obligations:

- (1) to implement resolutions of the board of directors as authorised by the board of directors, and to assist the chairman of the board of directors in supervising the implementation of the resolutions of the board of directors;
- (2) to assist the general manager in implementing the resolutions of the board of directors;
- (3) to assist various professional committees of the board of directors in their work, to facilitate the coordination and communication between the board of directors and its professional committees on the one hand and the management and the relevant departments of the Company on the other hand;
- (4) to complete the day-to-day work of his own management post;
- (5) to carry out such other tasks as entrusted by the board of directors.

Article 10 The basic qualifications of a director shall include:

- (1) integrity and responsibility; impartiality in work; initiative in work; honesty in the duty performance; acting in the interests of the Company and all shareholders; a determination to ensure the healthy and stable growth of the Company;
- (2) a determination to protect the shareholders' interests as a whole pursuant to the Articles, and to ensure the safety and appreciation of the assets of the Company;
- (3) knowledge relating to the principal business of the Company and more than five years' experience in management, in the case of a director who is a holder of domestic shares;
- (4) an absence of any conflict of interests between himself and the Company;
- (5) an ability to assess the strategy, operating plan and other key matters of the Company; and an ability to appraise the capability of the senior management of the Company;
- (6) a team spirit to work with other directors;
- (7) eligibility for such other requirements as imposed by the State and securities supervisory authorities regarding work personnel of similar types.

Article 11 Any person who falls in the situation prescribed in Article 146 of the Company Law, or who is prohibited from entry into the market by the CSRC or the SEHK and the prohibition is not yet removed, shall not assume any directorship of the Company.

Article 12 Procedures for the board of directors to nominate a director candidate are as follows:

- (1) The human resources and remuneration committee of the board of directors shall, pursuant to the provisions of the relevant laws, regulations, the Articles and these Rules, consider and determine the list of candidates of directors, to be submitted to the board of directors for consideration;
- (2) After the list of candidates of directors is determined, the human resources and remuneration committee of the board of directors shall submit such list of candidates and their resumes to the board of directors for consideration;
- (3) With the consent of a majority of the members of the board of directors, the board of directors may submit the adopted list of candidates of directors for approval at the general meeting.

Article 13 The elected director shall enter into a Directors' Service Contract with the Company, and shall sign and submit a "Director's Declaration and Undertaking" pursuant to the requirements of the stock exchange on which the Company's share are listed.

Article 14 After the appointment of and change of director, the secretariat of the board of directors shall prepare a new specimen signature of the new director, and shall submit the relevant form to the Hong Kong Companies Registry, SSE and the authority with which the Company filed industrial and commercial registration within 15 days of the commencement of the director's term of office as prescribed.

Subject to conformity with the relevant laws and regulations, the general meeting may, by way of an ordinary resolution, remove any director from his office before the expiry of his term (without prejudice to any claim which a director may make in accordance with his contract). The first term of a new director appointed by the Company shall generally expire upon expiration of the term of the current session of the board of directors.

Article 15 Director who does not personally attend board meetings and has not appointed any other directors to attend the board meetings for him twice consecutively shall be deemed as unable to perform his duty. The board of directors shall recommend the shareholders to remove or replace such director.

Article 16 A director may tender his resignation prior to the expiry of his term. The director shall submit a written report of resignation. The board of directors will disclose relevant matters within 2 days. The resignation of the director is not subject to the approval of general meeting or the board of directors, and takes effect upon delivery of the report of resignation to the board of directors.

In the event that the number of directors of the Company will fall below the quorum as a result of a director's resignation, the resignation report of the director shall not come into effect until the filling of the vacancy which arises from his resignation. The remaining directors shall promptly convene an ad hoc shareholders meeting to elect a director to fill the vacancy which arises from the director's resignation. Before the passing of any resolution by the general meeting on the election of directors, functions and powers of the resigning director and other remaining directors shall be subject to reasonable restrictions.

Article 17 Any resignation or change of director shall be notified to the stock exchange on which the shares of the Company are listed as soon as possible, and shall be disclosed via the media designated for making such disclosure. In the event of any resignation or removal of any independent director, the Company shall notify the cause thereof to the stock exchange on which its shares are listed as soon as possible.

Article 18 Any director who leaves office without permission prior to the expiry of his term and thus incurs any loss to the Company shall be liable for making compensation for such loss.

Article 19 Every director shall have the following rights:

- (1) to attend board meetings and exercise his voting right;
- (2) to understand the operation and the financial situation of the Company;
- (3) to understand his duties and responsibilities as a director of a listed company, and to have continued access, through the secretary to the board of directors, to the latest relevant information published by the regulatory authorities;
- (4) to represent and act in the interest of the Company pursuant to the provisions of the Articles or the mandate from the board of directors;
- (5) to operate business of the Company pursuant to the provisions of the Articles or the mandate from the board of directors;
- (6) without contravention of the provisions of these Rules, to concurrently take up other work or professional position in accordance with work requirements;
- (7) such other functions and powers as granted by the general meeting or stipulated by the Articles.

Article 20 The board of directors of the Company shall act in the interest of the Company and all shareholders as a whole, and shall examine the proposals to be put forward to the general meeting as per the requirements under the following provisions:

- (1) the content of the proposals shall not contravene the provisions of any laws, regulations or the Articles, and shall fall within the scope of business which the Company is capable of operating and is suitable for the Company to operate;
- (2) the proposals shall contain a clear subject and concrete matters that are made after serious discussion;

- (3) the proposals shall be submitted or delivered to the board of directors in writing.

Article 21 Each director, in the performance of his official functions, shall observe his fiduciary duties and shall not place himself in a position where his own interests may be in conflict with any obligations assumed by him. This principle includes (but is not limited to) the discharge of the following obligations:

- (1) to act sincerely in the best interests of the Company and all shareholders; not to consider only the interests and will of the shareholder(s) he represents;
- (2) to exercise powers within the scope of his powers and not to act ultra vires;
- (3) to exercise personally the discretion vested in him and not to allow himself to act under the direction of another person and, unless and to the extent permitted by law or administrative regulations or with the informed consent of shareholders given in general meeting, not to transfer the exercise of his discretion to others;
- (4) to treat shareholders of the same class equally and to treat shareholders of different classes fairly;
- (5) except otherwise provided for in the Articles or approved with the informed consent of shareholders in general meeting, not to enter into any contract, transaction or arrangement with the Company;
- (6) not to use in any manner the Company's property for his own benefit without the informed consent of shareholders given in general meeting;
- (7) not to exploit his official powers to accept bribes or other unlawful income, and not to expropriate in any manner the Company's property including (without limitation) opportunities beneficial to the Company;
- (8) without the informed consent of shareholders given in general meeting, not to accept commissions in connection with the Company's transactions;
- (9) to comply with the Articles, to perform honestly his duties and protect the interests of the Company and not to exploit his position and official powers in the Company to advance his own private interests;
- (10) not to compete with the Company in any manner without the informed consent of shareholders given in general meeting;
- (11) not to misappropriate the Company's funds or to advance such funds to any other person, not to open in his own name or in another person's name any bank account for the purpose of depositing any of the Company's assets, and not to use the Company's assets to provide any security for any debt of any shareholder of the Company or any other individual(s);

- (12) not to, without the informed consent of the shareholders given in general meeting, disclose any confidential information related to the Company acquired by him during the term of his office; such disclosure shall not be allowed even if it is made in the interests of the Company; provided that he may disclose such information to a court or other governmental regulatory authorities if required by law, required in the interests of the public or required by the obligations of such director;
- (13) not to deprive shareholders of their personal rights, including (without limitation) rights to distribution and voting rights, but not including a restructuring of the Company submitted to the general meeting for approval in accordance with the Articles;
- (14) not to take advantage of his functions or powers to place or persuade other directors or senior management officers into placing his relatives or friends in an important position or a senior management position of the Company.

Article 22 A director of the Company shall not cause the following persons or organisations (the “connected persons”) to conduct any activity which the director is prohibited from conducting:

- (1) the spouse or minor children of that director;
- (2) a person acting in the capacity of trustee of that director or any person referred to in paragraph (1) above;
- (3) a person acting in the capacity of partner of that director or any person referred to in paragraph (1) or (2) above;
- (4) a company over which that director alone has de facto control or a company over which the persons referred to in paragraph (1), (2) or (3) above or other directors, supervisors, general manager or senior management officers of the Company, together with that director have de facto common control;
- (5) a director, supervisor, general manager or other senior management officer of a controlled company referred to in paragraph (4) above.

Article 23 The fiduciary duties of a director do not cease upon the termination of his term of office. After his term of office expires, a director still has the obligation to keep confidential the Company’s trade secrets coming into his knowledge during his term of office. Other duties may continue for such period as fairness may require depending on the time elapsed between the termination of his term of office and the occurrence of the relevant event and the circumstances and terms under which his relationship with the Company was terminated.

Article 24 Directors shall bear the following responsibilities:

- (1) responsibility for any loss of assets of the Company;
- (2) responsibility for any loss resulting from any error in any major investment decision made by the board of directors;

(3) legal responsibility stipulated under Chapter 10 of the Company Law.

However, if it is proved that a director has stated his objection at the time the vote was taken and a record thereof has been made in the minutes of the meeting, that director shall be relieved of liability.

Article 25 A director may be relieved of his liability for specific breaches of his duties by the informed consent of shareholders given in general meeting, but the following liabilities shall not be so relieved:

- (1) liability for failing to act honestly in the best interests of the Company and all shareholders;
- (2) liability for expropriation in any manner of the Company's assets, including, without limitation, opportunities beneficial to the Company; or
- (3) liability for deprivation (for his own benefit or for the benefit of another person) of the rights of other shareholders, including, without limitation, rights to distributions and voting rights, but not including a restructuring of the Company submitted to and approved by shareholders in general meeting in accordance with the Articles.

Article 26 Directors shall be respectively remunerated in accordance with their own conditions, so as to reflect the time used and the responsibilities undertaken by directors when serving in the board of directors.

The aforesaid remuneration shall include:

- (1) remuneration in respect of his service as director of the Company;
- (2) remuneration in respect of other services provided in connection with the management of the Company and its subsidiaries;

Save as the entitled remuneration aforesaid, directors shall not raise any litigation against the Company for their receivable interests in other matters.

Article 27 In principle, the Company shall pay remuneration to those directors who perform specific operation and management duties in the Company, including liability insurance and any accident insurance for any business trip, share option scheme, etc.

Other directors shall only receive allowance from the Company.

Article 28 The supervisory committee and the human resources and remuneration committee under the board of directors of the Company shall conduct annual evaluation of the work performance of each director in the Company.

Article 29 The general meeting shall evaluate the performance of the board of directors on an annual basis.

CHAPTER 3 INDEPENDENT DIRECTORS

Article 30 The Company has independent directors. Independent director means a director who does not take any position of the Company other than directorship, and does not have any relationship, which will affect his independent and objective judgment, with the Company and the major shareholder of the Company.

At least one independent shareholder of the Company shall be qualified as an accounting professional who holds senior position or is qualified as a registered accountant.

Article 31 Independent directors of the Company shall have the following qualifications:

- (1) the qualification for being a company director in accordance with laws, administrative regulations or other relevant regulations;
- (2) the independence as required by the Articles and CSRC;
- (3) the basic knowledge for operation of listed company, familiarity with the relevant laws, administrative regulations, requirements and regulations;
- (4) more than 5 years' experience in law or economics or other necessary working experience required for performance of duties of independent directors;
- (5) other requirements as prescribed by the Articles.

Article 32 The following persons shall not take up the position of independent director:

- (1) officer of the Company or its subsidiaries and his direct relatives and major social contacts (direct relative means spouse, parent and children etc.; major social contact means siblings, parents in law, son in law, daughter in law, the spouse of siblings and the siblings of the spouse, etc.);
- (2) person directly or indirectly holding more than 1% shares of the Company or a natural person shareholder among the top 10 shareholders of the Company or a direct relative thereof;
- (3) person who works in any corporate shareholder directly or indirectly holding more than 5% of the shares of the Company or in one of the top five corporate shareholders of the Company or a direct relative thereof;
- (4) person who falls into any one of the above three categories in the preceding year;
- (5) person already acting as independent director for 5 (inclusive) listed companies;
- (6) person providing financial, legal and consultancy service to the Company or its subsidiaries;
- (7) other person as prescribed by the Articles;

- (8) other person as prescribed by CSRC or the stock exchange on which the Company's shares are listed.

Article 33 Independent directors owe the Company and all the shareholders fiduciary and diligent duties. Independent directors shall, pursuant to requirements of the relevant laws, regulations and the Articles, seriously perform their duties and protect the interests of the Company as a whole, and shall especially pay attention that the legal interests of minority shareholders shall not be impaired. Independent directors shall perform duties independently and not to be influenced by the Company's major shareholder, beneficial owner or other unit or person with interest conflict with the Company. Independent director shall ensure he has sufficient time and energy to effectively perform the duty of independent director.

Article 34 The term of office of an independent director will be the same as that of the other directors. Upon the completion of the term of office, he is eligible to be re-elected but his consecutive term shall not be more than 6 years.

Article 35 Where an independent director has not personally attended board meetings thrice consecutively, the board of directors may recommend the shareholders to remove such independent director.

Except for the abovementioned circumstances and such circumstances as stipulated in the Company Law in which an independent directorship is not allowed, an independent director shall not be removed before the expiry of his term.

Article 36 Apart from having the powers and functions stipulated under the Company Law, other relevant laws and regulations, the Articles and these Rules, an independent director shall also have the following special powers:

- (1) significant connected transactions (i.e. connected transactions proposed to be made by the Company with a connected person with an amount exceeding RMB3,000,000 or 5% of the Company's latest audited net assets value) should be approved by the independent directors and then submitted to the board of directors for discussion; before giving their opinions, the independent directors can engage advisors to issue an independent financial report and rely on that report to form the basis of their opinions;
- (2) recommend to the board of directors on appointment or removal of a firm of accountant;
- (3) requesting the board of directors to convene extraordinary general meetings;
- (4) recommend the convening of board meetings;
- (5) independently engage external audit institution and consultancy organisation;
- (6) may publicly solicit voting rights from shareholders before the convening of the general meeting.

Consent of more than half of all independent directors is required for an independent director to exercise the aforesaid powers.

Article 37 Apart from carrying out the aforesaid duties, independent directors shall give independent opinions to the board of directors or the general meeting for the following major matters:

- (1) nomination, appointment and removal of director;
- (2) appointment or removal of senior management officer;
- (3) the remuneration of director and senior management officer of the Company;
- (4) any existing or new lending to or other fund dealings with the Company's shareholders, beneficial owners and their affiliated companies amounting to more than RMB3,000,000 or more than 5% of the latest audited net asset value of the Company, as well as whether the Company has taken effective measures to recover the sum;
- (5) matter which the independent directors consider may prejudice the minority shareholders' interest;
- (6) other matters as prescribed by the Articles.

Independent directors shall express one of the following types of opinions on the aforesaid issues: agreement; qualified opinion and reason therefor; objection and reason therefor; inability to express opinion and reason therefor.

Article 38 To ensure the independent directors can effectively perform their duties, the Company shall provide all the necessary conditions to the independent directors:

- (1) The Company shall ensure that the independent directors have the same right of information as other directors. Any matters to be decided by the board of directors shall be notified to independent directors, together with sufficient information, in advance as the law requires, and an independent director may request for supplemental information if he considers that the information provided is insufficient. When two or more independent directors consider the information is not sufficient or the explanation is not clear, they can jointly, in written form, request the board of directors to postpone the convening of board meeting or delay the discussion of the matter, and the board of directors shall adopt such a request. The information supplied by the Company to the independent directors shall be kept by the Company and the independent directors for at least 5 years.
- (2) The Company shall provide the independent directors with all necessary conditions for performance of their duties. The secretary to the board of directors shall actively provide assistance, e.g. explanation of the situation and supply of material etc., to the independent directors.
- (3) When the independent director performs his duty, the relevant officers of the Company shall actively cooperate and cannot reject, obstruct or conceal, nor interfere with the exercise of powers by the independent director.

- (4) The fee for engagement of intermediary institution by the independent director and other expenses incurred for performance of duty shall be borne by the Company.
- (5) The Company shall give independent directors appropriate allowances. The standard of allowance shall be determined by the board of directors and approved by general meeting. Save and except the allowance mentioned above, independent directors shall not obtain any additional undisclosed benefit from the Company and its major shareholder or any institution or person with interest conflict with the Company or the major shareholder.
- (6) The Company may establish the necessary liability insurance system for independent director so as to reduce the risk arising for his ordinary performance of duty.

Independent director owes a duty of confidentiality to the Company and the shareholders. He shall not provide information obtained by him to any person. Upon the exercise of power, independent director shall pay due regard to the interest of the Company and the shareholders of the Company. Independent director shall not use the information to obtain or attempt to obtain any benefit.

CHAPTER 4 FUNCTIONS AND POWERS OF THE BOARD OF DIRECTORS

Article 39 The board of directors exercises its functions and powers under the mandate or authorisation of the general meeting. The board of directors is responsible for convening general meetings, reporting on its work at the general meetings, and implementing resolutions of the general meetings.

Article 40 The board of directors is a standing organisation of the Company, and shall exercise its decision-making powers in accordance with the provisions of these Rules in respect of the development strategy, management framework, investment and financing, planning, financial monitoring and personnel of the Company.

Article 41 Functions and powers in respect of the development strategy and planning management of the Company:

- (I) Functions and powers subject to approval by the general meeting:
 1. to formulate the mid- and long-term development objective and strategy of the Company;
 2. to formulate plans for acquiring or selling assets or for assets to be acquired (including ownership in enterprise, tangible assets or other property rights), such as the acquisition or sale of assets amounting to more than 50% of the Company's latest audited total assets value, or where the transaction amount (including fees and liabilities assumed) relating to the acquisition or sale of assets is more than 50% of the Company's latest audited total assets value, or where the absolute value of the net profit or loss relating to the acquisition or sale of assets or the absolute value of the net profit or loss arising from such transaction

is more than 50% of the absolute value of the Company's audited net profit or loss in the previous year and the absolute amount exceeds RMB5,000,000, or any connected transaction for which the stock exchange has not yet granted a waiver for convening a general meeting;

3. to formulate plans for the increase or reduction of the Company's registered capital and repurchase of the Company's shares;
4. to formulate plans for expanding the capital and increasing the number of shares of the Company;
5. to formulate plans for the merger, demerger or dissolution of the Company;
6. to petition for the bankruptcy of the Company;
7. to formulate plans for the amendment of the Articles;
8. to formulate specific plans for changing the use of proceeds from issue of shares of the Company.

(II) Functions and powers which can be independently exercised by the board of directors without the consideration and approval of the general meeting:

1. to determine plans for improving the operation and management of or increasing the operating results of the Company;
2. to determine the business plans, audit work plans and investment plans of the Company;
3. to determine plans for adjusting the important internal organizations of the Company, and establishment of the working organizations of the board of directors;
4. to determine the establishment of professional committees, and the appointment or removal of the chairman and members of the professional committees;
5. to determine various investment proposals within the scope of functions and powers of the board of directors of the Company;
6. to decide on any operation and management matters of major importance not stipulated in the Articles or these Rules to be decided by the general meeting.

Article 42 Functions and powers in respect of the financial management of the Company:

(I) Functions and powers subject to approval by the general meeting:

1. to consider the annual financial budget and final accounts of the Company;

2. to formulate the profit distribution policies, and plans for profit distribution or for making up accrued losses of the Company;
 3. to consider the financing plans of the Company, such as issuance of bonds of the Company;
 4. to consider the plans for disposal of assets, such as mortgage, leasing, sub-contracting or transfer of assets, which exceeds 50% of the Company's latest audited total assets value;
 5. to formulate plans of the Company for appointment or removal of external firm of accountants.
- (II) Functions and powers which can be independently exercised by the board of directors without the consideration and approval of the general meeting:
1. within the scope of the annual financial budget approved by the general meeting, to determine the annual loan plan, guarantee plan or project investment plan of the Company;
 2. to determine the plans for disposal of assets, such as mortgage, leasing, sub-contracting or transfer of assets, which does not exceed 50% of the Company's latest audited total assets value;
 3. to determine the plans for implementing the leasing contracts or transaction contracts within the budgets or plans of the Company;
 4. to determine the total amount of annual borrowings to be made by the Company, and the amount of guarantee to be given by the Company in the year for the borrowings of its subsidiaries;
 5. to approve community charity donations, and sponsorships and donations to other public welfare and commercial activities with total amount not exceeding RMB1,000,000;
 6. to manage the Company's financial information disclosures.

Article 43 Functions and powers in respect of the personnel management of the senior management of the Company:

- (I) Functions and powers subject to approval by the general meeting:
1. to formulate the standard for directors' remuneration;
 2. to propose candidates of directors not nominated by shareholders, and to consider the director nominations by shareholders;
 3. to act in coordination with the supervisory committee to appraise the performance of directors, and to propose removals of directors.

- (II) Functions and powers which can be independently exercised by the board of directors without the consideration and approval of the general meeting:
1. to determine the strategy and plan for developing and using the human resources of the Company;
 2. to determine the major functions and powers and limits of authority of the general manager, financial controller or chief financial officer and the secretary to the board of directors;
 3. to appoint or dismiss the general manager, financial controller or chief financial officer, and the secretary to the board of directors of the Company; to appoint or dismiss the deputy general managers and operating controllers of the Company in accordance with the nomination of the general manager; and other persons as determined by the board of directors;
 4. to determine the remuneration and allowance of directors; to determine any share option (or similar types) incentive scheme of the Company;
 5. to appraise the performance of the general manager; to determine succession plans for directors having positions at the Company, the general manager, financial controller (or chief financial officer) and secretary to the board of directors of the Company;
 6. to approve the appointment of shareholder representatives to subsidiaries, and, pursuant to the provisions of the articles of association of the subsidiaries or as agreed, to recommend the candidates of directors, supervisors and financial controller or chief financial officer to subsidiaries;
 7. to approve various employee retirement benefits, pension scheme and other employee welfare plans.

Article 44 Functions and powers for supervision and examination in respect of the development and operation of the Company:

- (1) to supervise the implementation of the development strategy of the Company;
- (2) to supervise and examine the implementation of the annual financial budget and final accounts of the Company; to check the progress of various plans;
- (3) to evaluate the operating results of the Company on an annual basis, so as to spot any operating problem promptly, to put forward suggestions for improvements and to supervise their implementation by the senior management of the Company;
- (4) to timely evaluate the plans for improving the operation of the Company and the results of their implementation; to investigate any major problems in the operating results of the Company;
- (5) to identify any hindrances faced by the Company in its development; to detect the changing trend of the Company's development and to put forward suggestion for rectifying the direction of the Company's development;

- (6) to discuss all opportunities available to and risks faced by the Company in its course of development, and any change in any objective factors which may have any extensive impact on the Company;
- (7) to ensure a smooth flow of information in the Company and to make assessments on information to ensure their accuracy and completeness, and make sure that the information can be timely provided.

CHAPTER 5 ORGANISATION OF THE BOARD OF DIRECTORS

Article 45 The board of directors shall have a secretary, a secretariat, and various professional committees to handle its daily administrative matters and professional matters.

Part I Secretary to the board of directors

Article 46 The secretary to the board of directors is a senior management member of the Company and shall be nominated by the chairman of the board of directors, and be appointed and removed by the board of directors.

Article 47 A director or other senior management (other than a supervisor) of the Company may concurrently act as secretary to the board of directors.

Where a director also holds the office of secretary to the board of directors and if an act is required to be done by a director and the secretary to the board of directors separately, then that director holding the office of secretary to the board of directors may not perform the act in such dual capacity.

Article 48 The secretary to the board of directors shall be a natural person who has the requisite professional knowledge and experience. He shall at least have university education and three years' experience in the finance, financial audit, business administration or legal field or in the work of a secretary to the board of directors of a listed company, and shall have participated in trainings on qualification as secretary to the board of directors organised by CSRC or other professional organisations and passed the appraisal. He shall be strong in coordination and meticulous in work, capable of performing duties faithfully, and proficient in literal expression and able to handle administrative matters satisfactorily.

The circumstances stipulated in Article 11 hereof regarding any person who shall not assume any directorship of the Company shall apply to the secretary to the board of directors *mutatis mutandis*.

Article 49 The primary responsibilities of the secretary to the board of directors are:

- (1) to continuously provide information to, remind directors of and ensure directors understand the laws and regulations, policies and requirements of domestic and overseas securities supervisory authorities in respect of corporate operation;
- (2) to assist directors to practically implement the domestic and overseas laws, regulations, the Articles and other relevant provisions in exercising their functions and powers;

- (3) to prepare the relevant documentation of the board of directors and the general meeting; to ensure the convening of the meetings and that the process of decision-making are in conformity with the legal procedures;
- (4) to organise and prepare and promptly submit such documents and information as required by the securities supervisory authorities; to take up relevant task assigned by the securities supervisory authorities and organise for completing such task;
- (5) to organise for information disclosure, to coordinate for the external relationship in the course of information disclosure, and to ensure the promptness and relevancy in information disclosure;
- (6) to manage and keep the register of shareholders of the Company and the relevant information; and to handle securities-related affairs;
- (7) to participate in the financing and project investment made by the Company in the securities market and the relevant matters;
- (8) to manage the day-to-day work of the secretariat of the board of directors;
- (9) to be responsible for the communication and coordination among directors; to report any significant events of the Company to directors, and to answer any relevant questions put forward by directors;
- (10) to liaise with domestic and overseas securities supervisory authorities;
- (11) to coordinate between, and to receive domestic and overseas fund managers, securities companies and analysts and commercial media, etc.

Article 50 The office of secretary of the Company may be held by one or two natural persons. If two persons are jointly appointed, the duties of the secretary of the Company shall be borne by them jointly. However, any one of them is entitled to act alone in the exercise of all the powers of the secretary of the Company.

Part II Secretariat of the board of directors

Article 51 The secretariat of the board of directors is a standing organization of the board of directors. Its main responsibilities are:

- (1) to handle the daily administrative matters of the board of directors in accordance with the requirements of the board of directors and the chairman; to coordinate between various organisations of the board of directors;
- (2) to prepare the relevant documentation and letters of the board of directors, and the various proposals to be submitted to the board of directors for discussions pursuant to rules;
- (3) to organise the board meetings and general meetings; to prepare the meeting documentation, to prepare minutes of the meetings; and to take the initiative to follow up the implementation of the relevant resolutions;

- (4) to draft, amend, publish and distribute the interim and annual reports of the Company;
- (5) to coordinate for and organise the matters relating to external information disclosure by the Company, to establish a sound system for information disclosure, to participate in any meetings involving information disclosure of the Company, and to keep itself promptly aware of any major operating decisions and relevant information of the Company;
- (6) to participate, at the request of the board of directors, in the consultation for and analysis of matters to be decided by the board of directors, and to give corresponding opinions and suggestions;
- (7) to take the initiative to communicate with the management of the Company, securities supervisory authorities, intermediary institutions, and media; to promptly provide information on the Company to the board of directors and the supervisory committee for their reference;
- (8) to coordinate for and organise marketing promotion, to coordinate and receive visitors, to handle investors' relationship, to maintain a relationship with investors, intermediary institutions and media and to enhance the reputation and the transparency of the Company;
- (9) to manage the files on the equity of the Company and the board of directors, to maintain the Company's register of shareholders, register of directors, and information recording the shareholding of major shareholders and the shares held by directors;
- (10) to complete other matters assigned by the directors.

Part III Audit committee

Article 52 The audit committee is principally responsible for conducting independent and objective audits on the economic operation, financial activities, financial policies, financial work procedures, internal monitoring, external audit, internal audit, financial information reporting, and the correctness and accuracy of the financial data of the Company, and assisting the board of directors in performing the relevant responsibilities.

Article 53 The audit committee shall comprise three to five directors, at least a simple majority of whom shall be independent non-executive directors. The audit committee shall have a chairman, who shall be an independent non-executive director. The secretary to the board of directors shall concurrently be the secretary to the audit committee.

Article 54 The members of the audit committee shall be familiar with the characteristics of the business and the mode of operation of the Company, and shall have a relatively good financial knowledge, rich commercial experience and enterprise management skills. At least one member of the audit committee shall be specialized in financial matters.

Article 55 The term of office of a member of the audit committee shall be three years. A member who leaves office upon expiry of his term is entitled to be re-appointed as member of the committee.

Article 56 The main responsibilities of the audit committee are to assist the board of directors in reviewing whether the Company's internal control measures on financial report procedures are adequate and effective, and to ascertain whether the principal operating risks are kept under control or properly handled, specifically:

- (1) the committee shall coordinate the work of the Company's directors, external auditor, internal auditor and other employees responsible for reporting financial position of the Company; the committee shall give its independent opinions to the board of directors to the standard of those given by the external auditor and internal auditor of the Company.
- (2) the board of directors may assign the committee to investigate any activities falling within the scope of functions and powers of the committee, and the committee may be authorised to obtain any necessary information from any employees of the Company, and all employees have been instructed to cooperate with any requirements of the committee.
- (3) the board of directors may authorise the committee to seek external legal or other independent professional advice; the committee may, as it considers necessary, invite the external auditor or internal auditor of the Company to attend the meetings of the committee; the committee and the external auditor of the Company shall hold annual meetings at which the executive directors of the Company are not present.
- (4) the committee is responsible for considering the appointment of the external auditor, the audit fee and any matters relating to the resignation or removal of the external auditor.
- (5) the committee shall, prior to the commencement of audit procedures, discuss with the external auditor the nature and scope of the audit and factors affecting the audit of annual report.
- (6) the committee shall review the independent non-audit work of the external auditor.
- (7) the committee shall first review the half-year and annual financial statements before submitting them to the board of directors, and shall especially focus its attention on the following aspects:
 1. any change in accounting policies and accounting practice;
 2. various principal areas to which judgment shall be applied;
 3. any major adjustments which have to be made to the accounts after audit;
 4. the assumption of going concern;

5. the extent to which the financial statements meet the professional accounting standards; and
 6. the extent to which the financial statements meet the rules of the stock exchange and the relevant legal provisions.
- (8) the committee shall discuss the questions put forward after the audit of the interim and final accounts and any doubts relating thereto, and any matters the auditor wishes to discuss.
 - (9) the committee shall review the audit explanatory statement issued by the external auditor and the response of the management of the Company.
 - (10) the committee shall review the declaration of the Company regarding its internal monitoring system (if the annual report contains such declaration) before submitting it to the board of directors for signing.
 - (11) the committee shall review the internal audit plan and ensure that the internal auditor and the external auditor work in coordination, and make sure the internal audit department obtains sufficient resources and has a due status in the Company.
 - (12) the committee shall examine the response of the management of the Company regarding the performance of the external auditor.
 - (13) the committee shall examine whether the management of the Company and the external auditor have any dispute in preparing the annual report.
 - (14) the committee shall discuss with the board of directors as regards the ways to improve its responsibilities.
 - (15) the committee shall give an opinion to the board of directors in respect of the responsibilities of the committee.
 - (16) the committee shall consider the major findings of internal audit and the response of the management.
 - (17) the committee shall consider other matters assigned by the board of directors.

Article 57 The audit committee shall meet at least twice annually. The meetings shall respectively be convened prior to the adoption by the board of directors of the interim results reports and after the conclusion of the annual audit work. The representative of the external auditor of the Company may, as it considers necessary, request to convene a special meeting.

Article 58 The audit committee may, in accordance with the need of the matters to be discussed, invite other directors, internal audit organizations, financial departments, independent auditors and other relevant departments and persons to attend its meetings as non-voting attendees.

Part IV Strategic development and investment committee

- Article 59** The strategic development and investment committee (“strategic committee”) is principally responsible for determining the strategic development direction of the Company, formulating the strategic plans of the Company, monitoring the implementation of strategy, adjusting the Company’s strategy and management structure in due course, organizing for the review of the projects in which the Company intends to invest, and making proposals on the decisions to be made by the board of directors.
- Article 60** The strategic committee comprises five directors. Its members shall include the chairman of the board of directors, at least one other director working in the Company and one independent director. The chairman of the board of directors shall take the chair of the committee. The secretary to the board of directors shall act concurrently as secretary to the committee.
- Article 61** The members of the strategic committee shall have a full grasp of the characteristics of the business development and operation of the Company, relatively good market acumen and comprehensive judgment, and an understanding of the trend of macro-economic policy of China and the trend of domestic and overseas economic development.
- Article 62** The main responsibilities of the strategic committee are:
- (1) to put forward ideas on the strategic development of the Company, to organise examination and review of the strategic development direction of the Company, to audit the strategic plans of the Company, and to put forward plans for strategic adjustments in due course;
 - (2) to examine the mid- and long-term development strategy and objective of the Company; to monitor the implementation of strategy;
 - (3) to formulate the criteria, procedures and cycles for evaluating the strategy of the Company;
 - (4) to ensure the continuity and completeness of the strategic information collected and provided by the Company;
 - (5) to review major merger and acquisition policies and proposals for transfer of the property of the Company and its subsidiaries; to examine proposals on major acquisitions of or merger with other enterprises;
 - (6) to review the proposal for preliminary approval or the feasibility report of projects in which the Company intends to invest, and to give an initial opinion;
 - (7) to make proposals to the general manager regarding project investment management;
 - (8) to review the progress reports submitted by the general manager on investment projects;

- (9) to review post-completion assessment reports on projects in which investment has been completed.

Article 63 The strategic committee may, in accordance with the need of the matters to be discussed, invite other directors, senior management, managers of business departments and other relevant persons to attend its meetings as non-voting attendees.

Part V Human resources and remuneration committee

Article 64 The human resources and remuneration committee (“human resources committee”) is principally responsible for appraising the performance and giving opinions on the appointment and removal of directors, general manager and other senior management of the Company, and for determining the Company’s human resources development and remuneration strategies.

Article 65 The human resources committee shall comprise three to five directors, a simple majority of whom shall be independent non-executive directors. The chairman of the committee shall possess the relevant knowledge and work experience, and shall be an independent non-executive director. The director of the human resources department of the Company shall concurrently act as secretary to the committee.

Article 66 The term of office of a member of the human resources committee shall be three years. At least one new member shall normally join the committee at the time of its change of session on a regular basis.

Article 67 The main responsibilities of the human resources committee are:

- (1) to organise the examination and review on the human resources development strategy of the Company; to examine the plan of the Company for human resources development;
- (2) to propose non-shareholder-nominated candidates of directors, and to examine the shareholder-nominated candidates of directors;
- (3) to appraise the work performance of directors during their terms of office; to put forward plans on directors’ remuneration;
- (4) to propose on suspending the eligibility of directors and senior management of the Company for their respective positions;
- (5) to examine overall wages adjustment plans, incentive systems, share option (or similar types) schemes and remuneration system adjustment plans of the Company;
- (6) to examine the training schemes of the Company.

CHAPTER 6 CHAIRMAN OF THE BOARD OF DIRECTORS

Article 68 The chairman of the board of directors shall be elected and dismissed by more than half of all directors in a poll. The term of office of the chairman shall be 3 years, and may be re-elected to serve a consecutive term.

Article 69 The qualifications for being the chairman of the board of directors are as follows:

- (1) honest and diligent, able to set an example through personal conduct, clean and upright, impartial and righteous;
- (2) good democratic working style, broad-minded, meritocratic, good leadership, able to close ranks;
- (3) extensive enterprise management and market experience, acumen, innovative, able to correctly analyse and judge the domestic and foreign macro-economic situation and market development trend, able to take an overview and control of the overall situation, strong ability in organisation, coordination and decision-making, dare to assume responsibilities;
- (4) relatively strong work ability in the field, good at coordinating the board of directors, professional committees, senior management and other organisations in the Company and able to mobilize the initiative of all sectors to serve the Company;
- (5) more than 10 years' experience in management, including experience in enterprise management of at least five years, familiar with the macro-conditions and basic knowledge of the field and knowing well relevant State policies, laws and regulations;
- (6) young, vigorous and energetic, a relatively strong sense of mission, responsibility and pioneering spirit and able to bring a new outlook on the work in complicated, especially difficult, circumstances.

Article 70 The chairman of the board of directors is the legal representative of the Company, and shall exercise the following functions and powers:

- (1) to preside at general meetings and to examine proposal-related materials and various reports provided by the Company to the shareholders;
- (2) to convene and preside at meetings of the board of directors, to coordinate the work of the professional committees of the board of directors, and to lead the day-to-day work of the board of directors;
- (3) to supervise and monitor the implementation of the resolutions of the board of directors;
- (4) to sign certificates for shares and securities issued by the Company and to sign various contracts and documents with the approval or within the scope of authorisation of the board of directors;

- (5) to ensure that the board of directors performs its duties and to approve and sign contracts and documents and make payments within the scope of authorisation pursuant to resolutions of the general meeting or the board of directors;
- (6) to approve various expenses from the special fees of the board of directors;
- (7) to have a casting vote in case of an equality of votes in a vote of the board of directors;
- (8) to exercise special discretion right and right of disposal pursuant to laws, regulations and in the interests of the Company in case of war, massive natural disasters or other emergencies, and to report to the board of directors and the general meeting afterwards;
- (9) to sign and issue the letters of removal or letters of appointment to the Company's legal advisors, special consultants and senior management appointed or dismissed by the board of directors according to the resolutions of the board of directors;
- (10) to nominate to the board of directors candidates for directorship in the board of directors of the Company's subsidiaries or associated companies;
- (11) to examine and supervise the honesty and self-disciplines of the executive directors, chief financial officer, general manager and other senior management of the Company;
- (12) to ensure the prompt flow of information to the board of directors and assess the reasonableness and timeliness of the recommendations and relevant documents submitted by the management;
- (13) to exercise other functions and powers as conferred by the board of directors or stipulated by the Articles.

Article 71 If the chairman, for some reason, cannot perform his functions and powers for a short period of time, he shall designate another director to temporarily perform his functions and powers on his behalf.

Article 72 The chairman of the board of directors shall undertake the following obligations:

- (1) to be accountable to and report the work to the board of directors;
- (2) to undertake the obligations which a director shall bear;
- (3) to assume full responsibilities for any damage incurred to the Company as a result of his own act or the act of others as authorized by him in performance of duties that exceed the scope of authorisation conferred by the board of directors;
- (4) to assume responsibilities with respect to his leadership for any damage incurred to the Company as a result of his incapability in the supervision on the Company's general manager, financial controller (or chief financial officer) or secretary to the board of directors;

(5) to undertake other obligations imposed by laws, regulations and the Articles;

Article 73 The chairman of the board of directors shall exercise strict self-disciplines regarding the following matters:

- (1) not to arrange any of his relatives to work in the middle and senior management of the Company;
- (2) not to arrange any of his relatives to work in the secretariat of the board of directors, or in the human resources management, financial or audit departments;
- (3) not to arrange any of his relatives to work as senior management or financial controller in any subsidiaries of the Company;
- (4) not to arrange any relationship of investment, operation, borrowing or lending and guarantee to develop between the Company and any company in which the chairman himself or any of his relatives has investment.

CHAPTER 7 CHIEF FINANCIAL OFFICER

Article 74 The board of directors may have a chief financial officer as necessary. The chief financial officer shall be responsible for the macro-financial management and monitoring of the Company, shall be accountable to the board of directors, and shall report to the chairman of the board of directors during adjournment of the board meeting.

Article 75 The chief financial officer shall be a natural person who has the requisite professional knowledge and experience. He shall at least have university education and three years' experience in the financial audit and other fields, shall have an intermediate title in financial audit or be qualified as a registered accountant of China and shall be able to perform his duties faithfully. The circumstances stipulated in Article 11 hereof regarding any person who shall not assume any directorship of the Company shall apply to the chief financial officer mutatis mutandis.

Article 76 The chief financial officer shall exercise the following functions and powers under the mandate of the board of directors:

- (1) to review the truthfulness and feasibility of the financial analysis on new investment projects and to supervise and check the implementation of the new investment projects of the Company from a financial point of view;
- (2) to supervise the implementation of the annual investment plan and annual financial plan of the Company;
- (3) to review the legality, rationality and safety of the Company's fund-raising and operation;
- (4) to review important financial affairs in the day-to-day operation and management of the Company;

- (5) to review important financial reports of its wholly-owned subsidiaries and controlling subsidiaries;
- (6) to submit to the board of directors the annual financial budget and final accounts, profit distribution plans or recommendations on making up losses of the Company;
- (7) to examine the implementation of the financial plans in relation to costs, profits and other items of the financial departments of the Company and its subsidiaries, and to supervise their full implementation;
- (8) to initially review the Company's plans for issuance of bonds, allotment, placing and repurchase of shares;
- (9) to issue review opinions on major investment and development projects and the Company's external lending and guarantee;
- (10) to formulate the Company's accounting policy and financial policy for the year;
- (11) to handle other matters entrusted by the board of directors.

Article 77 The chief financial officer shall assume the following responsibilities:

- (1) to assume joint responsibilities with the general manager for the truthfulness of any important financial statements and reports of the Company submitted to the board of directors;
- (2) to assume corresponding responsibility for any loss of assets of the Company;
- (3) to assume corresponding responsibility for any economic loss resulting from any error in the decision on any significant investment projects made by the Company;
- (4) to assume corresponding responsibility for any of the Company's act in breach of financial and economic disciplines.

CHAPTER 8 BOARD MEETINGS

Article 78 The board of directors shall at least convene two plenary board meetings every year ("Plenary Meeting").

In contrast with the resolution reached by way of circulation, the resolution at a Plenary Meeting must be discussed and reached by the vast majority of directors attending the meeting in person.

Article 79 The board of directors shall respectively convene a Plenary Meeting prior to the announcement of the annual results and interim results.

Article 80 Each director shall at least attend one of the Plenary Meetings.

Article 81 If any of the following circumstances arise, the chairman shall convene an ad hoc meeting of the board of directors within 10 working days:

- (1) at the request of shareholders representing more than 10% of voting shares;
- (2) at the decision of the chairman as he considers necessary;
- (3) at the joint request of one-third or more of the directors;
- (4) at the joint request of more than one-half of the independent directors;
- (5) at the request of the board of supervisors;
- (6) at the request of the general manager.

Part I Preparation and notice of meeting

Article 82 The written notice of the board meeting shall be dispatched to all directors by personal delivery, facsimile or express mail not less than 10 days, but no more than 30 days, before the meeting. The notice shall clearly state the time, venue, discussion topic and attendees of the meeting.

Article 83 If an urgent matter arises that requires an extraordinary meeting of the board of directors to be convened, the chairman shall instruct the secretary of the Company to notify all directors, the general manager and the chairman of the supervisory committee of the time and place of the board meeting and the manner in which the meeting will be convened by telex, telegram, facsimile or personal notification not less than 2 days and not more than 10 days before such meeting.

Article 84 The proposal related to the matters to be discussed at the board meeting may be put forward by the person entitled to do so 3 working days prior to the service of the notice of the meeting, and relevant materials for the proposal shall be submitted to the secretariat of the board of directors. Proposals not submitted or not included in the agenda for the meeting will not be discussed at the meeting. The chairman of the board of directors shall make explanations on the proposals not included in the agenda for the meeting.

Article 85 The notice of a board meeting shall include the following: time, venue, duration, reason, discussion topic, and the date of notice of the meeting.

Article 86 Upon deliberation by the chairman of the board of directors and after relevant proposals are included in the agenda for the meeting, relevant departments and personnel shall, within three days after issuing the notice of the board meeting, submit the required agenda for the meeting to the secretariat of the board of directors. Meeting-related materials shall be served to all members of the board of directors by hand, facsimile, express mail, or other means approved by the directors at least 3 days before convening the meeting. Directors may request supplementary materials.

Article 87 General scope of the agenda for a board meeting:

- (I) motions to be submitted to the general meeting for deliberation and matters related to the convening of the general meeting;
- (II) any major events which may have material impact on the share price of the Company while investors are uninformed; in this regard, discussions shall be made on the event to explain the facts, a report shall be submitted to the securities supervisory authorities and the stock exchange on which the Company's shares are listed, and an announcement shall be made.

The aforesaid major events shall include:

1. significant changes in the Company's business policies and scope;
 2. decisions on any major investment or major asset acquisition of the Company;
 3. important contracts which may have a major impact on the financial conditions and operating results of the Company;
 4. a major debt or default on an overdue major debt incurred by the Company;
 5. any substantial deficit or any substantial loss exceeding 10% of its net asset incurred to the Company;
 6. significant changes in the external conditions for the production and operation of the Company;
 7. changes in the chairman of the board of directors, more than one third of the directors, general manager, or secretary to the board of directors of the Company;
 8. relatively significant changes in the shareholding of the shareholders holding 5% or more of the shares of the Company;
 9. decisions made by the Company on reduction of capital, merger, demerger, dissolution and petition for bankruptcy;
 10. substantial litigations involving the Company;
 11. other matters stipulated by the laws and administrative regulations.
- (III) other matters organised and handled by the board of directors pursuant to the provisions of the Articles and the authorisation of the general meeting;
 - (IV) explanations to be made to the general meeting on any qualified opinion on the auditing report issued by any external independent auditors on the financial reports of the Company.

Article 88 A director shall, upon receipt of the notice of meeting, promptly confirm whether he will attend the meeting or not, or shall, upon receipt of the meeting-related materials, appoint another director to attend the meeting of the board of directors on his behalf by signing a power of attorney.

Article 89 Where more than one third of directors or at least 2 independent directors consider the materials are not sufficient or the explanation is not clear, they can jointly propose, in writing, to postpone the convention of meeting of the board of directors or delay the discussion of some topics included in the meeting of the board of directors. The board of directors shall accept such a proposal.

Article 90 Where the chairman of the board of directors is unable to preside at the meeting of the board of directors, the chairman shall designate a director to convene and preside at the meeting of the board of directors on his behalf. Where the chairman fails to designate a particular director to exercise his functions and powers on his behalf, more than half of the directors may jointly recommend a director to convene and preside at the meeting of the board of directors.

Part II Convening of meeting

Article 91 A meeting of the board of directors shall only be held if more than one half of the directors are present.

Any director who officially appoints another director in writing to attend the meeting shall be deemed to be present at the meeting in person.

Article 92 Any director who is unable to attend the meeting for any reason may appoint in writing another director to exercise his power at the meeting of the board of directors on his behalf, and the power of attorney shall specify the name of the proxy, the matters to be handled in proxy, the scope of authorisation and validity period, and shall bear the signature or seal of the principal.

The director attending the meeting as proxy shall only exercise the effective right within the scope of authorisation of the appointer.

Article 93 If a director fails to attend a meeting of the board of directors and has not appointed another director to vote on his behalf, he shall be deemed to have waived his right to vote at that meeting. Such director's waiver of his right to vote will not exempt him from the joint and several liability borne by him for any resolution passed at the meeting.

Article 94 Extraordinary meetings of the board of directors may be held in the form of teleconference or with the help of other similar communication equipment. Where a meeting is held in such form, all attending directors must be able to clearly hear and communicate with other directors. All attending directors shall be deemed to have attended the said meeting in person. If more than half of the directors consider the agenda for an extraordinary meeting of the board of directors are not major issues needing to be discussed, they may directly sign their opinions of approval or disapproval on the resolution submitted by the secretariat of the board of directors and send the same back to the secretary to the board of directors via fax or courier. On this basis, the secretary to the board of directors may reach a resolution of the board of directors.

Part III Validity of resolutions and responsibilities of directors

Article 95 Each director shall have one vote only. However, in the case of an equality of votes, the chairman of the board of directors shall have a casting vote.

Article 96 The board of directors may reach a resolution upon approval by more than half of all directors. However, the approval of more than two thirds of directors is required for any resolution related to the following matters:

- (1) proposals for the increase or reduction of the Company's registered capital and issuance of bonds of the Company;
- (2) proposals for merger, demerger or dissolution of the Company;
- (3) proposals for the amendment of the Articles;
- (4) petition for the bankruptcy and liquidation of the Company.

Article 97 If any resolution of the board of directors has any interest relation with the personal economic interest of a certain director, the said director shall abstain from voting and have no right to vote on the said resolution. Nor will the said director be counted towards the quorum of the directors attending the meeting.

The procedures for voting and abstention of voting of interested directors are as follows:

- (1) the interested directors shall not participate in voting and counting of votes.
- (2) the interested directors shall leave the venue before voting and return to the venue after the completion of counting of votes.
- (3) resolutions of the board of directors on the connected transaction shall be passed by more than half of the non-interested directors.
- (4) if an interested director disagrees with the voting result, he may request the chairman of the meeting to handle the matter in reference to Article 93 of the Articles.

Article 98 Directors shall assume the responsibilities for resolutions of the board of directors.

If any resolution of the board of directors contravenes any laws, administrative regulations or the Articles and causes losses to the Company:

- (1) directors who cast affirmative votes, whether in person or by another director appointed thereby to exercise his powers, shall assume the direct liability;
- (2) directors who cast dissenting votes, found to have stated his objection at the time the vote was taken and required the meeting recorder to record his objection in the meeting minutes at the time may be exempt from relevant liability;

- (3) any director who waives his right of voting, or who fails to attend the meeting and fails to appoint others to attend the meeting, may not be exempt from relevant liability;
- (4) any director who expressly raised an objection during discussion but did not expressly cast dissenting votes or who cast a secret vote and did not require the record of, and did not record, the objection in the meeting minutes may not be exempt from relevant liability;
- (5) independent directors and other directors with different opinions recorded clearly in the meeting minutes shall assume corresponding liability.

Part IV Rules of procedures

Article 99 The board of directors shall reach a resolution by convening a meeting of the board of directors and signing the written resolution.

Article 100 The procedures for the board of directors to convene a Plenary Meeting pursuant to the discussion topics included in the notice of meeting are as follows:

- (1) the proposer or the director or relevant personnel responsible for the relevant issue to introduce relevant situation;
- (2) the attending directors to question and discuss;
- (3) the chairman of the meeting to propose the discussion topics be passed and record them in the meeting summary to make it clear if a consensus is reached;
- (4) if there is a great difference in the opinions on the discussion topic, the resolution should be made via voting by poll;
- (5) the attending directors and directors appointed as proxies to sign the resolution or meeting summary.

Article 101 For discussion topics of no great significance, the board of directors will reach a resolution in written form. The procedures for reaching a resolution are as follows:

- (1) The draft resolution shall be served to every director 3 days in advance by any of the personal delivery, facsimile or express mail;
- (2) All directors shall write down the opinion of approval or disapproval and sign on the draft after receiving relevant written resolution;
- (3) The signed draft shall be served to the secretary to the board of directors by any of the personal delivery, facsimile or mail;
- (4) When the number of directors who wrote down the opinion of approval forms a quorum for making relevant resolution, the proposal may become the resolution of the board of directors;
- (5) The proposal with the opinion of disapproval shall be attached with a page specifying the reasons and basis for disapproval.

Article 102 A Plenary Meeting of the board of directors shall be held for matters of great significance on which resolutions are not suitable to be formed in any other way or matters involving conflict of interests with major shareholders or directors.

Article 103 After the board of directors reaches a resolution, matters required to be deliberated by the general meeting of the Company shall be submitted to the general meeting for deliberation, with other matters issued in document form for implementation.

Part V Miscellaneous

Article 104 The secretary to the board of directors shall prepare resolutions for matters discussed at the meeting as meeting summary in duplicates, which shall be signed by the attending directors and secretary to the board of directors.

Article 105 The meeting summary shall be kept by the secretariat of the board of directors together with the signatures of the attending directors and the power of attorney of their proxies.

Article 106 Meeting minutes shall be made for the meetings of the board of directors as reference for the meeting summary. The attending directors is entitled to request for some explanatory records to be made with regard to his speech at the meeting. The main points of the speech of the directors recorded in the minutes of the board of directors, after being reviewed by the attending directors, shall be kept as files of the Company after compilation by the secretariat of the board of directors.

The minutes of the board of directors shall consist of the following:

- (1) the date and venue for the convention of meeting and name of person summoning the meeting;
- (2) the name of the directors present and name of the directors (the proxies) being appointed to attend on the other's behalf;
- (3) the agenda;
- (4) the main point of the directors' speech;
- (5) the voting method and result of each resolution (the result shall state the number of fors, againsts and abstentions).

Article 107 Unless a notice for abstention is given by the board of directors in advance, the non-director general managers and the supervisors shall be entitled to be present at the meeting of the board of directors, to receive the notice of the meeting and relevant documents and to speak at the meeting. The board of directors may invite other persons to be present at the meeting according to work needs, whose time for attending the meeting shall be notified and arranged by the secretariat of the board of directors. Persons so present at the meeting shall have no voting rights.

The non-director general manager shall have the right to request review of the resolutions of the board of directors reached based on the proposal made by himself for once.

CHAPTER 9 WORKING PROCEDURES OF THE BOARD OF DIRECTORS

Part I Working procedures for investment decision-making

Article 108 Investment decision-making procedures of the board of directors refer to the decision-making procedures for all projects in which the Company intends to invest.

Article 109 The scope and procedures of consideration of the investments made by the board of directors within the amount authorised by the general meeting are as follows:

- (1) to approve the project investment feasibility study report and the prepared investment plan according to the annual investment plan approved by the board of directors;
- (2) the strategic committee of the board of directors to review project approval;
- (3) the strategic committee to prepare a review report which shall include the reasons for adoption or rejection of the plan submitted by the general manager, and to submit the same to the board of directors;
- (4) the board of directors to consider the review report and pass the resolution of the board of directors;
- (5) to arrange the implementation of relevant resolution according to the authorisation of the board of directors if the resolution is passed;
- (6) to submit the report on completion of the project to the strategic committee; or submit the report on abortion of the project to the board of director.

Article 110 If the investment amount falls beyond the authorization of the board of directors, it shall be approved by the general meeting. The convention of general meeting for the purpose of approving connected transactions depends on whether any waiver is granted by the relevant stock exchange.

Part II Working procedures for appointment and removal of personnel

Article 111 The working procedures for appointment and removal of personnel refer to the appointment and removal of persons appointed or removed by the board of directors pursuant to its functions and powers, including the general manager, deputy general manager, chief financial officer or financial controller, secretary to the board of directors, and other persons as determined by the board of directors.

Article 112 The procedures for the appointment or removal of personnel by the board of directors are as follows:

- (1) the human resources department of the Company conducts evaluation and assessment on the quality and competence pursuant to the nomination by the chairman or the general manager and provides a preliminary report thereof;

- (2) The human resources committee of the board of directors shall review the preliminary report, conduct a retest where necessary, and submit the review report on this basis; the deliberations of the committee may be carried out separately or in advance together with the assessment and evaluation of the Company's human resources department;
- (3) The board of directors shall make a resolution on the basis of the review report;
- (4) The chairman shall sign and issue the letter of appointment or dismissal according to the resolution of the board of directors.

Article 113 Working procedures of annual budget and final accounts:

- (1) The general manager shall organise relevant departments to draw up the annual financial budget and final accounts of the Company;
- (2) The audit committee under the board of directors shall review these plans and submit review reports;
- (3) The board of directors shall discuss and determine the plans according to the review reports and report the plans to the general meeting;
- (4) The plans shall be submitted for deliberation at the general meeting;
- (5) The general manager shall be responsible for organizing the implementation;
- (6) The internal audit organization shall report the implementation of the plans to the audit committee and the board of directors.

Article 114 Working procedures for bank loans and guarantees:

- (1) The general manager shall organise to draw up the Company's annual loan plan and guarantee plan according to the annual business plan and investment plan approved by the board of directors, including the amount and source of loans, external guarantee amount, qualifications of guarantee projects, risk analysis, amount of asset mortgage (pledge) and purpose, etc., for the current year;
- (2) The audit committee under the board of directors shall review these plans and submit the review reports. The review reports shall analyze each sum of money for the plans submitted by the general manager, and explain the reasons for his adoption, rejection and modification;
- (3) The board of directors shall discuss and form respective resolutions on the annual loan amount, asset mortgage amount for annual financing, and annual external guarantee amount;
- (4) The board of directors shall authorise two directors to sign and approve the written resolution of each loan, mortgage or guarantee within the amount approved;

- (5) The chief financial officer or financial controller shall be specifically responsible for the implementation;
- (6) The implementation of semi-annual and annual resolutions shall be reported to the board of directors and the audit committee.

Article 115 Approval procedures for major financial expenditures: i.e. the approval procedures for major financial expenditures, settlement, etc., beyond the functions and powers of the general manager.

- (1) The report or application submitted by the user departments shall be reported to the chairman after being reviewed by the financial department and the general manager;
- (2) Financial expenditures within the chairman's authority shall be subject to the approval by the chairman, including expenditures on planned construction projects, maintenance projects and outbound investment approved by the board of directors;
- (3) Financial expenditures beyond the chairman's authority or beyond the budget and plan shall be subject to the approval by the board of directors;
- (4) The general manager shall be responsible for the organisation and the chief financial officer or financial controller and relevant departments shall be responsible for the implementation.

Part IV Working procedures for other major issues

Article 116 The working procedures for other major issues refer to other major issues that shall be decided by the board of directors as stipulated in Article 87 of these Rules, except for the above-mentioned investment, personnel appointment and removal, and financial management decisions.

- (1) Relevant departments of the Company shall conduct investigation, study and analysis on relevant major issues;
- (2) Upon review by the general manager, the issues shall be reported to the chairman, who shall coordinate and organise relevant professional committees or professionals to carry out evaluation and submit evaluation reports;
- (3) The board of directors shall discuss and form a resolution according to the evaluation reports;
- (4) The general manager shall organise the implementation of resolutions of the board of directors;
- (5) The implementation results shall be reported to the board of directors.

Part V Inspection work procedures

Article 117 Inspection work procedures refer to the procedures for the chairman, entrusted by the board of directors, to inspect the execution and implementation of the resolutions of the board of directors.

Article 118 The procedures and requirements for inspection are as follows:

- (1) The general manager shall report the implementation of the resolutions of the board of directors to the chairman every month; the implementation of major resolutions shall be sent to each director by the secretariat of the board of directors under the direction of the chairman;
- (2) The chairman may raise inquiries to the implementation of resolutions and may request the general manager to remedy any violation thereof;
- (3) The chairman may request the relevant department of the Company or appoint the relevant professional committee to review, investigate and report on the implementation of a particular resolution and may request the general manager to comply with such report and strengthen the implementation;
- (4) If the general manager is of the view that the original resolution cannot be implemented, the chairman shall call for a board meeting to make a resolution;
- (5) The general manager shall provide detailed written reports on the performance in the first half of the year and throughout the year to the chairman for consideration;
- (6) The chairman shall make regular inspections, through the internal audit organization or the relevant professional committee, on the operations of the Company, and issue remarks on the working report of the general manager accordingly.

CHAPTER 10 SPECIAL FEES OF THE BOARD OF DIRECTORS

Article 119 Where necessary, the board of directors may set up special fees for the board of directors upon approval of the general meeting.

Article 120 The secretariat of the board of directors shall, in accordance with the principle of basic balance of income and expenditure, make an annual budget plan for special fees at the beginning of each year and report it to the board of directors for deliberation. The special fees budget of the board of directors shall be included into the Company's financial budget plan for the current year and recognized as the Company's management cost.

Article 121 The special fees of the board of directors shall be mainly used for:

- (1) remuneration of directors and supervisors;
- (2) allowances for members of professional committees under the board of directors;

- (3) expenses for general meetings, and meetings of the supervisory committee, the board of directors and professional committees thereof;
- (4) expenses for activities organised in the name of the board of directors, professional committees and the chairman;
- (5) other expenditures for the work of the board of directors;
- (6) other special expenses.

Article 122 The special fees of the board of directors within RMB10,000 shall be subject to the approval of the secretary to the board of directors, and the fees exceeding RMB10,000 shall be submitted to the chairman for approval upon review by the secretary to the board of directors, and managed by the financial department of the Company.

CHAPTER 11 SUPPLEMENTARY PROVISIONS

Article 123 The Company and its shareholders, directors and senior management shall be bound by these Rules. Any matters not covered by these Rules shall be governed under the provisions of the Company Law, the Articles and other related laws and regulations.

In these Rules, the phrase “more than” is inclusive of the figure itself.

Article 124 In case of any inconsistency or conflict between these Rules and the Articles, the Articles shall prevail.

Article 125 These Rules shall be promulgated and implemented upon approval by the general meeting, and shall be subject to the interpretation and amendment of the board of directors of the Company.