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If you are in any doubt as to any aspect of this circular, or as to the action to be taken, you should consult your stockbroker or other licensed securities dealer, bank manager, solicitor, professional accountant or other professional advisers.

If you have sold or transferred all your shares in Charmacy Pharmaceutical Co., Ltd. (創美藥業股份有限公司) (the "Company"), you should at once hand this circular and the accompanying form of proxy and reply slip to the purchaser(s) or transferee(s) or to the bank, stockbroker or licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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創美·CH'MEI

CHARMACY PHARMACEUTICAL CO., LTD.
創美藥業股份有限公司

(A joint stock limited liability company established in the People's Republic of China)
(Stock Code: 2289)

- (1) PROPOSED A SHARE OFFERING AND AMENDMENTS TO (DRAFT) ARTICLES OF ASSOCIATION;**
 - (2) PROPOSED FURTHER CHANGE IN USE OF PROCEEDS FROM THE GLOBAL OFFERING;**
 - (3) PROPOSED CHANGE OF SUPERVISOR;**
 - (4) PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION;**
 - (5) NOTICE OF THE 2017 FIRST EXTRAORDINARY GENERAL MEETING;**
 - (6) NOTICE OF THE 2017 FIRST DOMESTIC SHAREHOLDERS' CLASS MEETING;**
- AND**
- (7) NOTICE OF THE 2017 FIRST H SHAREHOLDERS' CLASS MEETING**

A letter from the Board is set out on pages 4 to 23 of this circular.

Notices dated 20 July 2017 convening the EGM, and the Domestic Shareholders' Class Meeting and the H Shareholders' Class Meeting immediately after the conclusion of the EGM to be held at Conference Room, 3rd Floor, No. 235, Song Shan North Road, Longhu District, Shantou City, Guangdong Province, the PRC on 5 September 2017, is set out on pages EGM-1 to EGM-6, DSCM-1 to DSCM-4 and HSCM-1 to HSCM-4 of this circular, respectively. Shareholders who intend to attend the EGM and/or the Class Meeting(s) (as the case may be) should complete the reply slip and return it by hand or by post or by fax to the H share registrar of the Company (for holders of H Shares of the Company) or to the headquarters in the PRC of the Company (for holders of Domestic Shares of the Company) on or before 16 August 2017 (as the case may be).

Shareholders who are entitled to attend and vote at the EGM and/or the Class Meeting(s) may appoint one or more proxies to attend and vote on their behalves. A proxy need not be a Shareholder. In order to be valid, the proxy form for the EGM and/or the Class Meeting(s) must be deposited by hand or by post, for holders of H Shares of the Company, to the H share registrar of the Company, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong and, for holders of Domestic Shares of the Company, to the headquarters in the PRC of the Company not less than 24 hours (i.e. not later than 10:00 a.m. on Monday, 4 September 2017) before the time for holding the such meeting(s) (or any adjournment thereof) for taking the poll. If the form of proxy is signed by a person under a power of attorney or other authority, a notarial copy of that power of attorney or authority shall be deposited at the same time as mentioned in the form of proxy. Completion and return of the form of proxy will not preclude Shareholders from attending and voting in person at the EGM and/or the Class Meeting(s) or any adjourned meetings should they so wish.

15 August 2017

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DEFINITIONS

In this circular, unless otherwise defined or the context otherwise requires, the following expressions have the following meanings:

“A Share(s)”	the ordinary share(s) proposed to be issued by the Company pursuant to the A Share Offering and subscribed for in Renminbi
“A Share Offering”	the Company’s proposed initial public offering of not more than 20 million A Shares, which are proposed to be listed on the Shenzhen Stock Exchange
“Announcement”	the announcement of the Company dated 20 July 2017
“Articles of Association”	the articles of association of the Company as amended, from time to time
“Board”	the board of Directors
“Class Meeting(s)”	the H Shareholders’ Class Meeting and/or the Domestic Shareholders’ Class Meeting (as the case may be)
“Company”	Charmacy Pharmaceutical Co., Ltd. (創美藥業股份有限公司), a joint stock company established in the PRC with limited liability, whose H Shares are listed and traded on the Hong Kong Stock Exchange (stock code: 2289)
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會)
“Director(s)”	the director(s) of the Company
“Domestic Share(s)”	the ordinary share(s) issued by the Company in the PRC with a nominal value of RMB1.00 each, which are subscribed for or credited as paid up in RMB by PRC natural persons and/or PRC corporate entities
“Domestic Shareholder(s)”	holder(s) of Domestic Share(s)
“Domestic Shareholders’ Class Meeting”	the class meeting of the holders of Domestic Shares to be convened and held at the later of 10:30 a.m. on 5 September 2017 or immediately after the conclusion of the EGM to be held on the same date at the same place or any adjournment thereof

DEFINITIONS

“Draft Articles of Association” or “(draft) Articles of Association”	the draft Articles of Association which will, subject to Shareholders’ approval at the EGM and Class Meeting, be effective upon the listing of A Shares on the Shenzhen Stock Exchange
“EGM”	the forthcoming extraordinary general meeting of the Company to be held at 10 a.m. on 5 September 2017 or any adjournment thereof
“Group”	the Company and its subsidiaries
“H Share(s)”	overseas listed foreign share(s) in the share capital of the Company, which is/are listed and traded on the Stock Exchange with a nominal value of RMB1.00 each
“H Share Offering” or “Global Offering”	the initial public offering of the Company’s H Shares globally and the listing of such H Shares on the Stock Exchange on 14 December 2015
“H Shareholders’ Class Meeting”	the class meeting of the holders of H Shares to be convened and held at the later of 11 a.m. on 5 September 2017 or immediately after the conclusion of the Domestic Shareholders’ Class Meeting to be held on the same date at the same place or any adjournment thereof
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Latest Practicable Date”	11 August 2017, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing”	the listing of the H Shares on the Stock Exchange which commenced on 14 December 2015
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange as amended, modified or otherwise supplemental from time to time
“Meetings”	the meeting of the Board held on 20 July 2017 and 7 August 2017

DEFINITIONS

“PRC”	The People’s Republic of China which shall, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Prospectus”	prospectus of the Company dated 2 December 2015
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	the Domestic Share(s) and/or the H Share(s) of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Shenzhen Listing Rules”	Rules Governing the Listing of Stocks on the Shenzhen Stock Exchange
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supervisor”	supervisor(s) of the Company
“Supervisory Committee”	supervisory committee of the Company
“%”	per cent

In this circular, unless the context otherwise requires, the terms “associate(s)”, “connected person(s)”, “related transaction(s)”, “controlling shareholder(s)”, “subsidiary(ies)” and “substantial shareholder(s)” shall have the meanings given to such terms in the Listing Rules.

Certain amounts and percentage figures set out in this circular have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables and the currency conversion or percentage equivalents may not be an arithmetic sum of such figures.

LETTER FROM THE BOARD



創美·CH'MEI

CHARMACY PHARMACEUTICAL CO., LTD.

創美藥業股份有限公司

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

(Stock Code: 2289)

Executive Directors:

Mr. Yao Chuanglong (*Chairman*)

Ms. Zheng Yuyan

Mr. Lin Zhixiong

Non-executive Directors:

Ms. You Zeyan

Mr. Li Weisheng

Independent Non-executive Directors:

Mr. Wan Chi Wai Anthony

Mr. Zhou Tao

Mr. Guan Jian (also known as Guan Suzhe)

*Registered Office and Headquarters
in the PRC:*

No. 235

Song Shan North Road

Longhu District, Shantou City

Guangdong Province, PRC

*Principal Place of Business
in Hong Kong:*

18/F, Tesbury Centre

28 Queen's Road East

Wanchai, Hong Kong

15 August 2017

To the Shareholders

Dear Sir or Madam,

- (1) PROPOSED A SHARE OFFERING AND AMENDMENTS
TO (DRAFT) ARTICLES OF ASSOCIATION;
(2) PROPOSED FURTHER CHANGE IN USE OF
PROCEEDS FROM THE GLOBAL OFFERING;
(3) PROPOSED CHANGE OF SUPERVISOR;
(4) PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION;
(5) NOTICE OF THE 2017 FIRST EXTRAORDINARY GENERAL MEETING;
(6) NOTICE OF THE 2017 FIRST DOMESTIC SHAREHOLDERS' CLASS MEETING;
AND
(7) NOTICE OF THE 2017 FIRST H SHAREHOLDERS' CLASS MEETING**

I. INTRODUCTION

References are made to the announcements published by the Company dated 24 May 2017 in relation to the proposed change of supervisor and dated 20 July 2017 which include certain resolutions to be proposed at the EGM and the Class Meetings (as the case may be) in relation to, among other things, (i) the proposed A Share Offering and amendments to (draft) Articles of Association; (ii) proposed further change in use of proceeds from the Global Offering; and (iii) amendments to the Articles of Association.

LETTER FROM THE BOARD

The Board approved and resolved at the Meetings to submit to the EGM and Class Meetings for approval of certain matters: (1) the proposed A Share Offering; (2) proposed amendments to the rules of procedures of general meetings of the Company; (3) the proposed amendments to the rules of procedures of the Board of the Company; (4) the proposed amendments to the administration system of related transactions; (5) the proposed amendments to the administration system of external guarantee; (6) the proposed amendments to the administration system of external investment; (7) the proposed amendments to the system concerning the duties of independent Directors; (8) the proposed amendments to the administration system of raised funds; (9) the formulation of the administration system of prevention of major Shareholders and related parties from occupying funds; (10) the projected daily related transactions of the Company in 2017; (11) the proposed amendments to the (draft) Articles of Association of the Company; (12) the feasibility plan on the investment projects using the proceeds from the A Share Offering; (13) the accumulated profit distribution plan before the A Share Offering; (14) the authorisation to the Board to deal with matters in connection with the Company's application for the A Share Offering at its full discretion; (15) the planning of dividend and return for Shareholders within three years after the A Share Offering; (16) the price stabilising budget and undertakings for the A Shares of the Company within three years after the A Share Offering; (17) the remedial plan and relevant undertakings on dilution of immediate return arising from the A Share Offering; (18) the undertakings on matters in connection with the A Share Offering and proposed corresponding restrictive measures; (19) the use of raised funds from the H Share Offering; (20) the termination of the issuance of additional H Shares; (21) the proposed amendments to the Articles of Association; (22) the proposed change of Supervisor; and (23) the proposed further change in use of proceeds from the Global Offering.

The proposals of (1) and (11) to (21) above are to be approved by the Shareholders by way of special resolutions and the proposals of (2) to (10) and (22) to (23) above are to be approved by the Shareholders by way of ordinary resolutions at the EGM.

The proposals (1) and (11) to (20) are also to be approved by the Domestic Shareholders at the Domestic Shareholders' Class Meeting and by the H Shareholders at the H Shareholders' Class Meeting, respectively.

The purpose of this circular is to provide you with the information regarding, among other things, the proposals (1) to (23) above to enable you to make an informed decision on whether to vote for or against the proposed resolutions at the EGM, the Domestic Shareholders' Class Meeting and the H Shareholders' Class Meeting.

II. PROPOSED A SHARE OFFERING AND RELATED MATTERS

Conditions Precedent of the Proposed A Share Offering

The proposed A Share Offering and other related resolutions below are conditional upon and subject to market conditions, the Shareholders' approval by way of ordinary resolutions or special resolutions (as the case may be) at the EGM and the Class Meetings (as the case may be), and necessary approvals from the CSRC and other relevant regulatory authorities.

LETTER FROM THE BOARD

1. Proposed A Share Offering

In accordance with the related rules of Company Law, the Securities Law and the Administration Measures for the Initial Public Offering and Listing of the Shares, it was verified by the Board that the Company meets the requirements and conditions of aforesaid regulations in relation to the initial public offering and listing of the domestically listed RMB ordinary Shares (A Shares). The Board determined to propose the application for the public offering and listing of the domestically listed RMB ordinary Shares (A Shares) at the EGM and the Class Meetings. The details of the proposed A Share Offering are as follows:

Classes of Shares	:	Domestically listed RMB ordinary Shares (A Shares)
Nominal value per Share	:	RMB1.00
Stock exchange for the proposed listing of A Shares	:	Shenzhen Stock Exchange
Proposed offering size	:	The total number of A Shares to be issued will not exceed 20 million, representing approximately 18.52% of the total existing issued share capital of the Company as at the Latest Practicable Date and before the issue, and approximately 15.63% of the total issued share capital of the Company as enlarged by the issue; and representing approximately 25% of the existing issued Domestic Shares of the Company as at the Latest Practicable Date and before the issue, and approximately 20% of the issued Domestic Shares of the Company as enlarged by the issue, assuming that there are no other changes to the issued share capital of the Company. All the Shares under this issuance are new Shares for public issuance, involving no public offering of Shares by the Shareholders of the Company.

The actual offering size will be determined by the Board as authorised by the Shareholders at the EGM and the Class Meetings based on the prevailing market conditions at the time of the offering.

LETTER FROM THE BOARD

- Target subscriber : The target subscribers of the A Share Offering are qualified participants in the price consultation process as well as individuals, legal persons and other investors within the PRC who have opened A Share accounts at the Shenzhen Stock Exchange (except those prohibited by the PRC laws, regulations and regulatory documents). It is expected that none of the target subscribers of the A Shares is or will become a connected person of the Company. If any of the subscribers of the A Share Offering is or will become a connected person of the Company, the Company will comply with the relevant requirements under Chapter 14A of the Listing Rules.
- Method of offering : To be conducted by way of combining placing through offline price consultation to targeted investors and online fund subscription for pricing and issuance, or in other ways of issuance approved by CSRC.
- Pricing methodology : To determine the range of issue price through price consultation with targeted investors, and authorize the Board of the Company and the sponsor of the Company (who is also the lead underwriter) to determine the issue price taking into consideration the following factors: (i) the operational and financial conditions of the Company; (ii) the prevailing market conditions; (iii) market demand for the A Shares; (iv) the industry which the Group operates in; (v) the requirements under the applicable laws and regulations; (vi) the average Price to Earnings of other A share listed issuer(s) who operate in the same industries which the Group operates in; and (vii) the prevailing market price of the H Shares.

According to Article 127 of the Company Law of the People's Republic of China, the share may be issued at a price equal to or in excess of par value, but not below par value. As the par value of the new A Shares to be issued by the Company under the A Share Offering is RMB1.00, the issue price of the A Shares will not be lower than RMB1.00 per share. Further, the issue price is expected to be above the net asset value per share according to the then latest audited financial statements of the Company. As disclosed in the annual report 2016 of the Company, as at 31 December 2016, the audited net asset value per share of the Company is RMB4.19. The prescribed minimum issue price of RMB1.00 represent a discount of 85.28% to the closing price of the H Shares as of the Latest Practicable Date.

LETTER FROM THE BOARD

Form of underwriting : The offering will be underwritten by the sponsor (who is also the lead underwriter) on a standby commitment basis. CSC Financial Co., Ltd. is proposed to be act as the sponsor and lead underwriter for the proposed A Share Offering.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, CSC Financial Co., Ltd. and its ultimate beneficial owners are independent of the Company and its connected person.

As at the Latest Practicable Date, the Company has not determined whether there would be any sub-underwriters for the Proposed A Share Offering. The Company submitted that if any of the sub-underwriters is a connected person of the Company, the Company will comply with the relevant requirements under Chapter 14A of the Listing Rules.

Conversion into a joint stock limited liability company with domestic and overseas offering and listing of shares : According to the A Share Offering plan and the actual situation of the issued A Shares, application will be filed to convert the Company into a joint stock limited liability company with domestic and overseas offering and listing of shares.

Valid period of the resolutions : The proposed A Share Offering shall be subject to approval by the Shareholders at the EGM and the Class Meetings. Upon such approval, the proposed A Share Offering and related resolutions will be valid for 12 months from the date of passing each of the resolutions at the EGM and the Class Meetings.

This proposal has been approved by the Board, and shall be submitted to the EGM and the Class Meetings for consideration and approval as special resolutions.

LETTER FROM THE BOARD

Effects of the A Share Offering on the shareholding structure of the Company

For reference and illustration purposes only, assuming that (i) a total of 20 million A Shares are to be issued under the A Share Offering, and (ii) there are no other changes to the issued share capital of the Company, the shareholding structure of the Company (a) as at the Latest Practicable Date and (b) immediately after completion of the A Share Offering are set out as follows:

	As at the Latest Practicable Date		Immediately after completion of the A Share Offering	
	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>
NON-PUBLIC				
SHAREHOLDERS				
– Domestic Shares	80,000,000	74.1	80,000,000	62.5
– H Shares	–	–	–	–
<hr/>				
PUBLIC SHAREHOLDERS				
– new A Shares to be issue pursuant to A Share Offering	–	–	20,000,000	15.6
– H Shares	28,000,000	25.9	28,000,000	21.9
<hr/>				
Total	108,000,000	100.0	128,000,000	100.0

Reasons and benefits of the A Share Offering

The Directors consider that the A Share Offering will further optimise the corporate governance structure of the Company, develop domestic and overseas financing platforms and improve the liquidity of all the Shares held by the Shareholders. Since the Company currently focuses mainly on its core business in the PRC, the A Share Offering will enhance the Company's corporate image and brand awareness, further widen the Company's funding channels, increase the Company's working capital and achieve stronger recognition of the capital markets by attracting large institutional as well as medium and small investors in the PRC. The Directors also believe that the A Share Offering will be beneficial to the Company's business growth, financing flexibility and business development. It will also enable the Company to obtain more financial resources and improve the competitiveness of the Company, which would be beneficial to the long-term development of the Company. Having considered, among other things, the foregoing reasons for the A Share Offering, the Directors consider that the A Share Offering is in the interest of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

Public float

As at the Latest Practicable Date, based on the publicly available information and to the best of the Directors' knowledge, approximately 25.9% of the total issued Shares are held by the H-share public, and the Company has maintained a public float above the minimum requirements as prescribed in the Listing Rules. The Company undertakes that it will continue to comply with the public float requirement as prescribed in the Listing Rules during the application process and after completion of the A Share Offering.

2. Proposed amendments to the rules of procedures of the general meetings and the Board

In accordance with the Rules of General Meetings of Listed Companies (2016 Revision) (《上市公司股東大會規則(2016年修訂)》), the Stock Listing Rules of Shenzhen Stock Exchange (2014 Revision) (《深圳證券交易所股票上市規則(2014年修訂)》) (“**Shenzhen Stock Exchange Listing Rules**”), the draft Articles of Association and other related laws, regulations and regulatory documents, the Board proposes to make certain amendments to the rules of procedures of the general meetings and the Board.

Please refer to Appendix I to this circular for the details of the proposed amendments to the rules of procedures of the general meetings and the Board.

This proposal has been approved by the Board, and shall be submitted to the EGM for consideration and approval by way of ordinary resolution.

3. Proposed amendments to the administration system of related transactions, the administration system of external guarantee and the administration system of external investment

In accordance with the Shenzhen Stock Exchange Listing Rules, the draft Articles of Associations and other related laws, regulations and regulatory documents, the Board proposes to make certain amendments to the administration system of related transactions and the administration system of external investment. The Board further proposes its intention to make certain amendments to the administration system of external guarantee, in accordance with the Code of Practice for Small and Medium-sized Enterprises (SME) Board Listed Companies on Shenzhen Stock Exchange (2015 Revision) (《深圳證券交易所中小企業板上市公司規範運作指引(2015年修訂)》), the draft Articles of Association and other related laws, regulations and regulatory documents.

Please refer to Appendix II to this circular for the details of the proposed amendments to the administration system of related transactions, the administration system of external guarantee and the administration system of external investment.

The above proposals have been approved by the Board, and shall be submitted to the EGM for consideration and approval by way of ordinary resolution.

LETTER FROM THE BOARD

4. Proposed amendments to the system concerning the duties of independent Directors

In accordance with the Code of Corporate Governance for Listed Companies (《上市公司治理準則》), the Measures of the Shenzhen Stock Exchange for the Record filing of Independent Directors (2017 Revision) (《深圳證券交易所獨立董事備案辦法(2017年修訂)》), the draft Articles of Association and other related laws, regulations and regulatory documents, the Board proposes to make certain amendments to the system concerning the duties of independent Directors.

Please refer to Appendix III to this circular for the details of the proposed amendments to the system concerning the duties of independent Directors.

The above proposals have been approved by the Board, and shall be submitted to the EGM for consideration and approval by way of ordinary resolution.

5. Formulation of the administration system of raised funds

In accordance with the Measures for Administration of Securities Issuance of Listed Companies (《上市公司證券發行管理辦法》), the Guidelines for the Supervision and Administration of Listed Companies No. 2 – Supervision and Administration Requirements for Listed Companies on the Management and Use of Raised Funds (《上市公司監管指引第2號—上市公司募集資金管理和使用的監管要求》), the draft Articles of Associations and other related laws, regulations and regulatory documents, the Board proposes to formulate the system concerning the administration of raised funds.

Please refer to Appendix IV to this circular for the details of the administration system of raised funds.

This proposal has been approved by the Board and shall be submitted to the EGM for consideration and approval by way of ordinary resolution.

6. Formulation of the administration system for preventing major Shareholders and related parties from occupying funds

In accordance with the Notice Concerning Some Issues on Regulating the Funds between Listed Companies and Related Parties and Listed Companies' Provision of Guarantee to Other Parties (《關於規範上市公司與關聯方資金往來及上市公司對外擔保若干問題的通知》), the draft Articles of Associations and other related laws, regulations and regulatory documents, the Board propose to formulate the administration system of the prevention of major Shareholders and related parties of the Company from occupying funds.

Please refer to Appendix V to this circular for the details of administration system for preventing major Shareholders and related parties from occupying funds.

LETTER FROM THE BOARD

This proposal has been approved by the Board and shall be submitted to the EGM for consideration and approval by way of ordinary resolution.

7. Projected daily related transactions of the Company in 2017

As at the Latest Practicable Date, Guangzhou Pharmaceutical Baiyunshan Hong Kong Company Limited (廣藥白雲山香港有限公司) (“**Guangzhou Baiyunshan (HK)**”), a wholly-owned subsidiary of Guangzhou Baiyunshan Pharmaceutical Holdings Co., Ltd. (a joint stock company with limited liability established in the PRC with its shares listed on the main board of the Stock Exchange (stock code: 874)(“**Guangzhou Baiyunshan**”), is interested in 5% or more of H Shares and Mr. Li Weisheng, one of the non-executive Directors of the Company, serves as the general manager in Guangzhou Baiyunshan (HK). In this regard, pursuant to the Shenzhen Stock Exchange Listing Rules and according to the substance over form principle, Guangzhou Baiyunshan and its subsidiaries are regarded as the related parties of the Group.

For the purpose of sound management and information disclosure for its related party transactions and in accordance with the Shenzhen Stock Exchange Listing Rules and other laws and regulations, the Board has projected that its transactions with Guangzhou Baiyunshan and its subsidiaries to be conducted in 2017 would amount to approximately RMB1.16 billion (tax inclusive).

This proposal has been approved by the Board (other than Mr. Li Weisheng who has abstained in the voting of this proposal) and shall be submitted to the EGM for consideration and approval by way of ordinary resolution. Pursuant to the Shenzhen Stock Exchange Listing Rules, Guangzhou Baiyunshan (HK) will abstain from voting in relation to this resolution at the EGM.

8. Proposed amendments to the (draft) Articles of Association

In accordance with the Company Law and the Securities Law of the PRC, the Guidelines for the Articles of Association of Listed Companies (2016) (《上市公司章程指引(2016)》), as well as related laws, regulations and regulatory documents, the Company proposes to make certain amendments to the (draft) Articles of Association to reflect the share capital and shareholding structure of the Company upon the A Share Offering. The Articles of Association of the Company is resolved at the EGM of the Company and becomes effective on the date when the initial public offering and listing of the Domestic Shares by the Company take place.

Please refer to Appendix VI to this circular for comparison of the Articles of Association against the (draft) Articles of Association to be effective upon the A Share Offering.

This proposal has been approved by the Board, and shall be submitted to the EGM and the Class Meetings for consideration and approval by way of special resolution.

LETTER FROM THE BOARD

9. Feasibility plan on the investment projects using the proceeds from the A Share Offering

The raised funds from the A Share Offering will be used for the principal business operations of the Group, being the distribution of pharmaceutical products. After deducting the expenses in connection with the offering, the raised funds will be used for the construction projects of pharmaceutical classification and distribution centre, information system deepening project and the extension project for pharmaceutical wholesale business. The total amount of investment project relating to the A Share Offering will not exceed RMB251.56 million.

In preparation for the application of the A Share Offering, the Company has prepared the feasibility analysis report on the investment projects using the raised funds from the A Share Offering, a summary of which is set out in Appendix VII to this circular.

This proposal has been approved by the Board, and shall be submitted to the EGM and the Class Meetings for consideration and approval by way of special resolution.

10. Accumulated profit distribution plan before the A Share Offering

In order to balance the interests of both new and existing Shareholders, upon completion of the A Share Offering, all the Shareholders (including the holders of H Shares, Domestic Shares and A Shares) shall be entitled to all the profits of the Company accumulated prior to the A Share Offering.

This proposal has been approved by the Board, and shall be submitted to the EGM and the Class Meetings for consideration and approval by way of special resolution.

11. Authorisation to the Board to deal with matters in connection with the Company's application for the A Share Offering and Listing at its full discretion

A special resolution will be proposed at the EGM and Class Meetings, to authorise the Board to deal with all the matters in connection with the Company's application for the A Share Offering and Listing under the framework and principles approved by the Shareholders.

Please refer to Appendix VIII to this circular for the details of the authorisation to the Board to deal with all matters in connection with the Company's application for A Share Offering and listing at its full discretion.

The above authorisation shall be valid for 12 months from the date of passing such resolution at the EGM and Class Meetings.

LETTER FROM THE BOARD

12. Dividend return plan for Shareholders within three years after the A Share Offering

In order to further strengthen and improve the dividend distribution policy and offer clarity on the investment returns to the Shareholders and transparency on the decision-making process of the Company relating to dividend distribution, the Company has formulated the dividend return plan for Shareholders within three years after the A Share Offering based on the relevant rules and regulations as well as the Articles of Association, and taking into full account of its actual operations, the needs of future development and the future prospects of the Company. The plan will also be proposed at the EGM to authorise the Board to adjust the plan based on any changes in laws, regulations, regulatory documents and related policies or the opinions of domestic and overseas regulatory authorities.

Please refer to Appendix IX to this circular for the details of the dividend return plan for Shareholders within three years after the A Share Offering.

This proposal has been approved by the Board, and shall be submitted to the EGM and the Class Meetings for consideration and approval by way of special resolution.

13. Price stabilising budget and undertakings for the A Shares of the Company within three years after the A Share Offering

In order to effectively protect the interests of the Shareholders and boost the investment confidence of the investors and in accordance with the relevant laws and regulations, the Company has formulated a price stabilising budget for the A Shares within three years after the A Share Offering, and the Company, the controlling Shareholders of the Company, the Directors (except independent Directors) and senior management of the Company propose to make certain undertakings.

Please refer to Appendix X for the details of the price stabilising budget and undertakings for the A Shares of the Company within three years after the A Share Offering.

This proposal has been approved by the Board, and shall be submitted to the EGM and the Class Meetings for consideration and approval by way of special resolution.

14. Remedial plan and relevant undertakings on dilution of immediate return from the A Share Offering

In order to enhance the development of the Company and the protection of the interests of small and medium investors in capital market, the Company has conducted the analysis of the dilution of immediate return arising from the A Share Offering and the controlling Shareholders of the Company, the Directors and the senior management of the Company propose to make certain relevant undertakings.

LETTER FROM THE BOARD

Please refer to Appendix XI for the details of remedial plan and the relevant undertakings on dilution of immediate return from the A Share Offering.

This proposal has been approved by the Board, and shall be submitted to the EGM and the Class Meetings for consideration and approval by way of special resolution.

15. Undertakings on matters in connection with the A Share Offering and proposed corresponding restrictive measures

In order to protect the interests of public investors and in accordance with the Opinions Regarding Further Promotion of Structural Reforms on Issue of New Shares (《關於進一步推進新股發行體制改革的意見》) issued by CSRC as well as related laws, regulations and regulatory documents, the Company shall issue the undertakings in connection with the A Share Offering. The Company proposes to make certain undertakings for the purpose of the A Share Offering and formulate certain corresponding restrictive measures.

Please refer to Appendix XII for the details of the undertakings on matters in connection with the A Share Offering and proposed corresponding restrictive measures.

This proposal has been approved by the Board, and shall be submitted to the EGM and the Class Meetings for consideration and approval by way of special resolution.

16. Use of raised funds from the H Share Offering

The Company has prepared the status report on the use of proceeds from the H Share Offering in accordance with the relevant laws and regulations of the PRC. The Company issued in total 28,000,000 Shares in the H Share Offering, and the net proceeds raised after deducting the offering expenses were approximately HK\$199 million.

Please refer to Appendix XIII for the details of the report on the use of raised funds from the H Share Offering.

This report has been approved by the Board, and shall be submitted to the EGM and Class Meetings for consideration and approval by way of special resolution.

17. Termination of issuance of additional H Shares

Pursuant to the general mandate granted to the Board on 3 June 2016, the Board has the power to allot and issue additional H Shares not exceeding 20% of the H Shares of the Company in issue, that is, up to 5,600,000 H Shares. The Board has resolved at the meeting to issue not more than 5,600,000 additional H Shares on 24 October 2016. Such issuance of additional H Shares was approved by the CSRC pursuant to the Approval on Issuance of Overseas Listed Foreign Shares of

LETTER FROM THE BOARD

Charmacy Pharmaceutical Co., Ltd. (CSRC Approval [2017] No. 7) (《關於核准創美藥業股份有限公司增發境外上市外資股的批覆》(證監許可[2017] 7號)) issued on 4 January 2017. For the reason that the Company is proposing to apply for the A Share Offering, the Company proposes not to proceed with the plan of issuing new H Shares as resolved by the Board and approved by the CSRC. For the avoidance of doubt, as no definitive placing agreement or subscription agreement had ever been entered into with any placing agents nor subscribers, the Company had not published any announcement in relation to the issuance of new H Shares.

This proposal has been approved by the Board, and shall be submitted to the EGM and the Class Meetings for consideration and approval by way of special resolution.

III. PROPOSED FURTHER CHANGE IN USE OF PROCEEDS FROM THE GLOBAL OFFERING

Current Use of Proceeds

The Company intends to use the unutilised proceeds, which is expected to be approximately RMB69.23 million, for the following purposes (“**First Revised Allocation**”):

- (a) approximately RMB29.88 million will be used to strengthen, expand and integrate the existing distribution network and capability, the details of which are set out below:
 - approximately RMB9.58 million will be used to upgrade the logistic facilities of the logistics and distribution centres;
 - approximately RMB8.30 million will be used to purchase refrigerated transportation vehicles; and
 - approximately RMB12.00 million will be used to upgrade information systems.
- (b) approximately RMB4.03 million will be used to improve and promote the B2B e-commerce platform, the details of which are set out below:
 - approximately RMB2.00 million will be used for improving the system of the B2B e-commerce platform of the Company; and
 - approximately RMB2.03 million will be used for the marketing and promotional activities of the B2B e-commerce platform;
- (c) approximately RMB35.32 million will be used to acquire pharmaceutical distribution business in the Southern China region.

As at 20 July 2017, net unutilised proceeds was expected to be approximately RMB21.93 million (“**Second Balance of the Proceeds**”).

LETTER FROM THE BOARD

Table 1 below summarises the use of the First Revised Allocation of the proceeds of the Company as of 20 July 2017:

Table 1

	First Revised Allocation of the net proceeds <i>(Approximately RMB million)</i>	Amount utilised as of 20 July 2017 <i>(Approximately RMB million)</i>	Second Balance of the Proceeds <i>(Approximately RMB million)</i>
To acquire pharmaceutical distribution business in the Southern China region	35.32	33.48	1.84
To strengthen, expand and integrate distribution network development and capabilities	29.88	11.80	18.08
Including: To upgrade facilities of logistic centres	9.58	4.89	4.69
To acquire refrigerated transportation vehicles	8.30	1.85	6.45
To upgrade information systems	12.00	5.06	6.94
To improve and promote the B2B platform	4.03	2.02	2.01
Including: To upgrade and renovate the B2B platform	2.00	2.00	0.00
Marketing and promotional activities	2.03	0.02	2.01
Total	69.23	47.30	21.93

LETTER FROM THE BOARD

Proposed Change in Use of Proceeds

On 20 July 2017, the Board resolved to change the use of the Second Balance of the Proceeds, which was expected to be approximately RMB21.93 million (the “**Second Revision Proposals for Allocation**”), the details of which are set out in Table 2 below:

Table 2

	Second Revision Proposals for Allocation of net proceeds (Approximately RMB million)	Approximate percentage of the Second Balance of the Proceeds
To strengthen, expand and integrate distribution network development and capabilities	8.76	39.95%
Including: To upgrade logistic facilities of logistic centres	5.92	26.99%
To acquire refrigerated transportation vehicles	1.20	5.47%
To upgrade information systems	1.64	7.48%
To establish a company in Shenzhen to expand the distribution network, extend the customer base and boost the turnover	13.17	60.05%
Total	21.93	100.00%

Reasons for Proposed Change in Use of Proceeds

For the purpose of enhancing the utilization efficiency of the actual net proceeds from the Global Offering of the Company, the Board resolved to revise the use of the remaining balance of the unutilised net proceeds, which was expected to be RMB21.93 million in total:

- (a) approximately RMB8.76 million will be used for strengthening, expanding and integrating the existing distribution network and capabilities, the details of which are set out below:
- approximately RMB5.92 million will be used for upgrading the logistic facilities of logistic centres;
 - approximately RMB1.20 million will be used for the acquisition of refrigerated transportation vehicles; and
 - approximately RMB1.64 million will be used for upgrading information systems.

LETTER FROM THE BOARD

- (b) Regarding the net of the Second Balance of the Proceeds (after deducting the aforementioned (a) proceeds) as of the Latest Practicable Date, the balance of proceeds for the following purposes, i.e. strengthening, expanding and integrating distribution network development and capabilities, improving and promoting the B2B platform and acquiring pharmaceutical distribution business in the Southern China region, will be reallocated for establishing a company in Shenzhen so as to expand the distribution network, extend the customer base and boost the turnover. The actual amount used for establishing the company in Shenzhen is subject to the actual remaining proceeds from the Global Offering for the planned purposes.

The above changes in use of net proceeds and reallocation will enable the Company to deploy its financial resources more effectively, and the establishment of a company in Shenzhen enables the Company to expand its distribution network in Shenzhen and its surrounding cities at a faster pace, extend the customer base and boost the turnover. And the Board considers that those changes will provide more business development opportunities in the future, be more in line with the current business needs of the Company and be beneficial to the continuing and rapid development of the Group, so as to strengthen the overall market position of the Group.

The Board confirms that there is no material change in the business nature of the Group as set out in the Prospectus and considers that the above changes in use of net proceeds are in the best interests of the Company and its shareholders as a whole.

The proposed change in use of proceeds is subject to approval at the EGM by way of ordinary resolution.

IV. PROPOSED CHANGE OF SUPERVISORS

As disclosed in the announcement of the Company dated 24 May 2017, Ms. Zhang Hanzi (“**Ms. Zhang**”) will resign from her position as a shareholders’ representative supervisor of the Company due to her other business commitments to the Group which require more of her dedication, with effect from the date of approval of the proposed appointment of the new supervisor by the Shareholders at the EGM.

Ms. Zhang has confirmed that she has no disagreement with the Supervisory Committee during her tenure of services and there are no matters relating to her resignation that need to be brought to the attention of the Shareholders of the Company or the Stock Exchange.

LETTER FROM THE BOARD

Proposed Appointment of Supervisor

The Supervisory Committee proposed to appoint Mr. Lin Zhijie (“**Mr. Lin**”) as the proposed shareholders’ representative supervisor of the Company, with effect from the date of consideration and passing of the relevant resolution at the EGM. The tenure of services of the supervisor is the same as that of the first session of the Supervisory Committee.

The biography of Mr. Lin is as follows:

Mr. Lin Zhijie, aged 33, is the vice logistics officer of the Company. Mr. Lin graduated from the Science and Technology College of Jiangxi University of Traditional Chinese Medicine (江西中醫學院科技學院) in the PRC in July 2007, majoring in pharmaceuticals formulation. Mr. Lin joined the Group in January 2007 and has been responsible for transportation and logistics arrangements of the Group, including the planning of budget for transportation.

Subject to and with effect from the approval of the newly appointed supervisor at the EGM, the Company will enter into a service agreement with him. The tenure of services of the supervisor is the same as that of the first session of the Supervisory Committee, except for re-election and reappointment. His remuneration as a supervisor of the Company will be determined with reference to the remuneration policies of the Supervisors of the Company and approved at the EGM.

Mr. Lin is interested in 0.16% of the interest in Shantou Meizhi Investment Management Limited Partnership (汕頭市美智投資管理合夥企業 (有限合夥), “**Meizhi Investment**”). Meizhi Investment holds 3,200,000 Domestic Shares of the Company, representing approximately 2.96% of the total issued shares of the Company.

Save as disclosed above, Mr. Lin has confirmed that: (1) he does not have any relationship with any directors, supervisors, senior management or substantial or controlling shareholders (as defined in the Listing Rules) of the Company; (2) he does not have, and is not deemed to have, any interests in any shares, underlying shares or debentures of the Company and its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong); (3) he has not held any directorship in public companies the securities of which are listed on any securities market in Hong Kong or overseas during the past three years; and (4) he has not held any positions in the Group.

Save as mentioned above, the Board of Directors of the Company is not aware of any other matters regarding the proposed appointment of Mr. Lin that need to be brought to the attention of the Shareholders of the Company, nor any information that is required to be disclosed under Rule 13.51(2)(h) to 13.51(2)(v) of the Listing Rules.

LETTER FROM THE BOARD

V. PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

A special resolution will be proposed at the EGM by the Company to approve the amendment to Article 10.1 of the Articles of Association, the details of which are set out below:

Article 10.1

which originally read as:

“The company shall establish a board, which shall be accountable to and report to the general meeting. The board shall consist of not less than eight directors, of which the external directors (hereinafter referred to directors who do not hold any office within the Company) shall represent not less than 50 percent of the members of the Board of Directors. Independent non-executive directors (hereinafter referred to directors who are independent to the shareholders and do not hold any office within the Company) shall represent at least one-third of the members of the Board of Directors.

The Board of Directors shall have one chairman and one vice chairman.”

is amended as follows:

“The company shall establish a board, which shall be accountable to and report to the general meeting. The board shall consist of seven directors, of which the external directors (hereinafter referred to directors who do not hold any office within the Company) shall represent not less than 50 percent of the members of the Board of Directors. Independent non-executive directors (hereinafter referred to directors who are independent to the shareholders and do not hold any office within the Company) shall represent at least one-third of the members of the Board of Directors.

The Board of Directors shall have one chairman and may have one vice chairman.”

The above amendments to Article 10.1 of the Article of Association serve to reflect the structure, quorum and composition of the Board and to improve its operational efficiency.

CLOSURE OF REGISTER OF MEMBERS

In order to determine the Shareholders who are entitled to attend the EGM and the Class Meetings, the register of members of the Company will be closed from Saturday, 5 August 2017 to Tuesday, 5 September 2017 (both days inclusive), during which period no transfer of Shares can be registered. In order to be qualified to attend and vote at the EGM and the Class Meetings, all transfer documents accompanied by the relevant share certificate(s) must be lodged with the Company’s H shares registrar in Hong Kong,

LETTER FROM THE BOARD

Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for holders of H Shares) or the headquarters in the PRC of the Company at No. 235, Song Shan North Road, Longhu District, Shantou City, Guangdong Province, PRC (for holders of Domestic Shares) for registration not later than 4:30 p.m. on Friday, 4 August 2017.

NOTICES OF THE EGM AND CLASS MEETINGS

The EGM will be held at Conference Room on 3rd Floor, No. 235 Song Shan North Road, Longhu District, Shantou City, Guangdong Province, the People's Republic of China at 10:00 a.m. on Tuesday, 5 September 2017. The Domestic Shareholders' Class Meeting will be held at later of 10:30 a.m. on the same date or immediately after the conclusion of the EGM at the same place, and the H Shareholders' Class Meeting will be held at later of 11:00 a.m. on the same date or immediately after the conclusion of the Domestic Shareholders' Class Meeting at the same place. Notices dated 20 July 2017 convening the EGM and the Class Meetings together with the relevant reply slips and forms of proxy have been despatched to the Shareholders in accordance with the Listing Rules.

REPLY SLIPS AND FORMS OF PROXY

If you are eligible and intend to attend the EGM and/or the Class Meeting(s), please complete and return the reply slip(s), in accordance with the instructions printed thereon as soon as possible and in any event no later than 20 days before the date appointed for holding such meeting(s) (i.e. no later than 16 August 2017) or any adjournment thereof.

Shareholders who are entitled to attend and vote at the EGM and/or the Class Meeting(s) may appoint one or more proxies to attend and vote on their behalves. A proxy need not be a Shareholder. In order to be valid, the form of proxy for the EGM and/or the Class Meeting(s) must be deposited by hand or post, for holders of H Shares of the Company, to the H share registrar of the Company, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong and, for holders of Domestic Shares of the Company, to the headquarters in the PRC of the Company not less than 24 hours (i.e. not later than 10:00 a.m. on Monday, 4 September 2017) before the time for holding the such meeting(s) (or any adjournment thereof) for taking the poll. If the form of proxy is signed by a person under a power of attorney or other authority, a notarial copy of that power of attorney or authority shall be deposited at the same time as mentioned in the form of proxy. Completion and return of the form of proxy will not preclude Shareholders from attending and voting in person at the EGM and/or the Class Meeting(s) or any adjourned meetings should they so wish.

VOTING BY POLL AT THE EGM AND THE CLASS MEETINGS

Pursuant to Rule 13.39(4) of the Listing Rules, all votes at the EGM and/or the Class Meeting(s) will be taken by poll and the Company will announce the results of the poll in the manner prescribed under Rule 13.39(5) of the Listing Rules.

LETTER FROM THE BOARD

RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

RECOMMENDATIONS

The Directors consider that the proposed resolutions set out in the notices of the EGM and/or the Class Meeting(s) are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors, together with their associates, intend to vote in favour of the relevant resolutions in respect of their respective shareholdings in the Company and recommend the Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM and/or Class Meetings.

MISCELLANEOUS

The Chinese text of this circular shall prevail over the English text for the purpose of interpretation.

Yours faithfully
For and on behalf of the Board
Charmacy Pharmaceutical Co., Ltd.
Yao Chuanglong
Chairman

*List of the Amended Rules of Procedures for General Meetings**The Rules of Procedures for General Meeting Before Amendment*

Article 3

*The Rules of Procedures for General Meeting After Amendment***Clause 2 is added to Article 3**

When a transaction of the Company (except for cash assets received by the Company) meets one of the following criteria, it shall be disclosed in timely manner and submitted to the general meeting for consideration and approval:

1. The total assets involved in the transaction account for more than 50% of the Company's latest audited total assets. Where the total assets involved in the transaction have both book value and appraised value whatever is higher shall be taken for calculation;
2. the operating revenue related to the subject of the transaction (for instance, equity interest) for the latest accounting year accounts for more than 50% of the Company's audited operating revenue for the latest accounting year, with an absolute amount exceeding RMB50 million;

*The Rules of Procedures for General Meeting Before Amendment**The Rules of Procedures for General Meeting After Amendment*

3. the net profit related to the subject of the transaction (for instance, equity interest) for the latest accounting year accounts for more than 50% of the Company's audited net profit for the latest accounting year, with an absolute amount exceeding RMB5 million;
4. the transaction amount of the transaction (including the debt and expenses) accounts for more than 50% of the Company's latest audited net assets, with an absolute amount exceeding RMB50 million;
5. the profit derived from the transaction accounts for more than 50% of the Company's audited net profit for the latest accounting year, with an absolute amount exceeding RMB5 million.

In case the figure involved in the above index calculation resulting in a negative value, the absolute value thereof shall be taken for calculation.

The Rules of Procedures for General Meeting Before Amendment

Article 9 If the Board of Directors fails to issue a notice of convening a meeting within 30 days from the date of receipt of the written requisition as required under Article 8, the shareholders who raise the requisition may convene the meeting on their own within 4 months from the date of receipt of the requisition by the Board. The procedures of convening a meeting shall be similar to those of convening a general meeting by the Board as far as possible.

If the shareholders convene and hold the meeting on their own as a result of the Board of Directors did not respond to the aforesaid requisition, the expenses reasonably incurred shall be borne by our Company and deducted from the amounts owed to the default Directors.

The Rules of Procedures for General Meeting After Amendment

Article 9 If the Board of Directors fails to give a notice of convening a meeting within 30 days from the date of receipt of the written requisition as required under Article 8, the shareholders who raise the requisition may **propose to Supervisory committee that an extraordinary general meeting be convened. If Supervisory committee agrees to convene the extraordinary general meeting, a notice to convene the general meeting shall be given within 5 days upon receipt of such requisition. If Supervisory committee does not issue the notice to convene the extraordinary general meeting within the required period, the shareholders of ordinary shares who, individually or collectively, hold more than 10% of the shares of the Company for more than 90 consecutive days (including the shareholders of preference shares with voting rights to restore) may convene and chair the meeting on his/her own.**

If the shareholders convene and hold the meeting on their own as a result of the Board of Directors did not respond to the aforesaid requisition, the expenses reasonably incurred shall be borne by our Company and deducted from the amounts owed to the default Directors.

The Rules of Procedures for General Meeting Before Amendment

Article 21 The notice of general meeting shall be sent to the shareholders (whether they have voting rights at the meeting) by hand or by prepaid post at their registered addresses on the register of members. As for holders of domestic shares, the notice of the general meeting may also be given by way of announcement.

The announcement mentioned in the aforesaid clause shall be published in one or more newspapers designated by a securities supervisory and administrative authority under the State Council within 45 to 50 days prior to the meeting. Once the announcement is made, all the holders of domestic shares shall be deemed to have received the notice of the relevant meeting. The notice of the general meeting delivered to the holders of overseas listed foreign shares may be given through the website of Hong Kong Stock Exchange or published in one or more newspapers designated by it. Once the announcement is made, all the shareholders of overseas listed foreign shares shall be deemed to have received the notice of the relevant general meeting.

The Rules of Procedures for General Meeting After Amendment

Article 21 The notice of general meeting shall be sent to the shareholders (whether they have voting rights at the meeting) by hand or by prepaid post at their registered addresses on the register of members. As for holders of domestic shares, the notice of the general meeting may also be given by way of announcement.

The announcement mentioned in the aforesaid clause shall be published in one or more newspapers **or websites** designated by a securities supervisory and administrative authority under the State Council within 45 to 50 days prior to the meeting. Once the announcement is made, all the holders of domestic shares shall be deemed to have received the notice of the relevant meeting. The notice of the general meeting delivered to the holders of overseas listed foreign shares may be given through the website of Hong Kong Stock Exchange or published in one or more newspapers designated by it. Once the announcement is made, all the shareholders of overseas listed foreign shares shall be deemed to have received the notice of the relevant general meeting.

The Rules of Procedures for General Meeting Before Amendment

Article 26 The Board of Directors or the convener of the general meeting shall fix a date to determine the equity interests (the equity record date) when the Company holds a general meeting. The shareholders of the Company shall be such persons who appear in the register as shareholders at the close of that date (the equity record date).

No change shall be made in the register of members as a result of a transfer of shares within 30 days prior to the date of a general meeting.

Article 28 The general meeting of the Company shall be held at the place where the Company is located or any other specific venue as notified by the convener of the general meeting.

A physical place shall be established for the general meeting, which shall be held in the form of on-site meeting. The Company may enable shareholders to have access to the general meeting by adopting safe, economic and convenient telephone, network, or other methods to provide convenience, provided that the legality and validity of such meeting shall be ensured. Shareholders attending the meeting by way of the above methods shall be deemed as to have attended the meeting.

Clause 2 of Article 54 When the poll in relation to the election of the Director or the Supervisor is conducted at the general meeting, the system of cumulative voting could be implemented based on the rules of the Articles of Association of the Company or the determination at the general meeting.

The Rules of Procedures for General Meeting After Amendment

Article 26 The Board of Directors or the convener of the general meeting shall fix a date to determine the equity interests (the equity record date) when the Company holds a general meeting. The shareholders of the Company shall be such persons who appear in the register as shareholders at the close of that date (the equity record date).

Amendments to the register of members of A Shares shall be made in accordance with the requirement under the domestic laws and regulations of the PRC.

Article 28 The general meeting of the Company shall be held at the place where the Company is located or any other specific venue as notified by the convener of the general meeting.

A physical place shall be established for the general meeting, which shall be held in form of on-site meeting. The Company **shall** enable shareholders to have access to the general meeting by adopting safe, economic and convenient telephone, network, or other methods, **and shall have the priority to provide means of modern information technology such as web-based voting platform to provide convenience**, provided that the legality and validity of such meeting shall be ensured. Shareholders attending the meeting by way of the above methods shall be deemed as to have attended the meeting.

Clause 2 of Article 54 When the poll in relation to the election of the Director or the Supervisor is conducted at the general meeting, the system of cumulative voting **shall** be implemented based on the rules of the Articles of Association of the Company or the determination at the general meeting.

Resolution 2:*List of the Amended Rules of Procedures for the Board of Directors**The Rules of Procedures of the Board of
Directors Before Amendment*

Article 5 The Board of Directors shall consist of 8 Directors, of which external Directors (hereinafter referred to as directors who do not hold any office within the Company) shall represent more than half of the members of the Board of Directors, and there are 3 Independent non-executive Directors (being the directors who are independent to the shareholders of the Company who do not hold any office within the Company).

The Board of Directors shall have one chairman and one vice chairman.

Directors shall be elected at the general meeting for a term of three years. Upon the expiry of the term, a director shall be eligible for re-election. Each director should be subject to retirement by rotation at least once every three years.

The chairman and vice chairman shall be elected and removed by a majority of all directors. The term of office of the chairman and vice chairman is three years, and renewable upon re-election. No directors shall be removed from their office by the general meeting without any reason before the expiry of their terms of office.

*The Rules of Procedures of the Board of
Directors After Amendment*

Article 5 The Board of Directors consist of 7 Directors, of which external Directors (hereinafter referred to as directors who do not hold any office within the Company) shall represent more than half of the members of the Board of Directors, and there are 3 Independent non-executive Directors (being the directors who are independent to the shareholders of the Company who do not hold any office within the Company).

The Board of Directors shall have one chairman and **may have** one vice chairman.

Directors shall be elected at the general meeting for a term of three years. Upon the expiry of the term, a director shall be eligible for re-election.

The chairman and vice chairman shall be elected and removed by a majority of all directors. The term of office of the chairman and vice chairman is three years, and renewable upon re-election. No directors shall be removed from their office by the general meeting without any reason before the expiry of their terms of office.

*The Rules of Procedures of the Board of
Directors Before Amendment*

Article 7 The Board of Directors shall exercise the following functions and powers: ...

(XIV) to consider and approve the acquisition and disposal of major assets by the Company of an amount of over \$10 million within 1 year but not over 30% of the latest audited total assets of the Company;

(XV) to consider and approve the material transactions (as defined in Article 8.2 of the Articles of Association) of an amount over \$10 million but not over 50% of the latest audited net assets of the Company;

(XVI) to consider and approve the related transactions to be resolved by the Board of Directors in accordance with the requirement under the listing rules of the place on which the shares of the Company are listed;

*The Rules of Procedures of the Board of
Directors After Amendment*

Article 7 The Board of Directors shall exercise the following functions and powers: ...

(XIV) The total assets involved in the transaction account for more than 10% of the Company's latest audited total assets. Where the total assets involved in the transaction have both book value and appraised value whatever is higher shall be taken for calculation;

(XV) the operating revenue related to the subject of the transaction (for instance, equity interest) for the latest accounting year accounts for more than 10% of the Company's audited operating revenue for the latest accounting year, with an absolute amount exceeding \$10 million;

(XVI) the net profit related to the subject of the transaction (for instance, equity interest) for the latest accounting year accounts for more than 10% of the Company's audited net profit for the latest accounting year, with an absolute amount exceeding \$1 million;

*The Rules of Procedures of the Board of
Directors Before Amendment**The Rules of Procedures of the Board of
Directors After Amendment*

(XVII) to propose the appointment or change of the accounting firm that performs audits for our Company at the general meeting;

(XVIII) to formulate a share incentive scheme;

(XIX) to consider the work report from, and review the work of, the general manager;

(XX) to put forward the proposals on the candidate or replacement of the independent non-executive Directors at the general meeting;

(XXI) Other powers and duties as authorized by the laws, administrative regulations, departmental rules, the Listing Rules, the general meetings and the Articles of Association.

When resolving the matters stated in the preceding clause, save for Clause (VI), (VII) and (VIII) which shall be agreed by way of poll by more than two-thirds of all the Directors, all the remaining matters shall be agreed by way of poll by more than half of the Directors.

(XVII) the transaction amount of the transaction (including the debt and expenses assumed) accounts for more than 10% of the Company's latest audited net assets, with an absolute amount exceeding \$10 million;

(XVIII) the profit derived from the transaction accounts for more than 10% of the Company's audited net profit for the latest accounting year, with an absolute amount exceeding \$1 million;

(XIX) to consider and approve the related transactions to be resolved by the Board of Directors in accordance with the requirement under the listing rules of the place on which the shares of the Company are listed;

(XX) to propose the appointment or change of the accounting firm that performs audits for our Company at the general meeting;

(XXI) to formulate a share incentive scheme;

(XXII) to consider the work report from, and review the work of, the general manager;

*The Rules of Procedures of the Board of
Directors Before Amendment**The Rules of Procedures of the Board of
Directors After Amendment*

(XXIII) to put forward the proposals on the candidates or replacement of the independent non-executive Directors at the general meeting;

(XXIV) Other powers and duties as authorized by the laws, administrative regulations, departmental rules, the **Listing Rules**, the general meetings and these Articles of Association.

When resolving the matters stated in the preceding clause, save for Clause (VI), (VII) and (VIII) which shall be agreed by way of poll by more than two-thirds of all the Directors, all the remaining matters shall be agreed by way of poll by more than half of the Directors.

Article 10 The Board of Directors may establish special committees, such as audit committee, remuneration committee, and nomination committee, if necessary. The Board of Directors may establish other special committee and make adjustment to the existing committees, if necessary.

Article 10 The Board of Directors may establish special committees, such as **strategic development committee**, audit committee, remuneration committee, nomination committee, and **risk management committee**, if necessary. The Board of Directors may establish other special committee and make adjustment to the existing committees, if necessary.

Article 24

Article 24 Clause 4 is added to Article 24 **Holders of foreign shares shall use the relevant requirement under the applicable Articles of Association to resolve any disputes.**

Article 26 If a director fails to attend a Board meeting in person for two times in aggregate within one year and fails to appoint another director to attend the Board meeting, such situation shall be deemed as a failure to discharge his duties. The Board shall propose to remove such director at the general meeting.

Article 26 If a director fails to attend a Board meeting in person **on two occasions consecutively** and fails to appoint another director to attend the Board meeting, such situation shall be deemed as a failure to discharge his duties. The Board shall propose to remove such director at the general meeting.

Addition

Clause 2 of Article 72 “\$” referred in these rules represents Renminbi, the lawful currency of the PRC.

APPENDIX II AMENDMENTS TO THE ADMINISTRATION SYSTEM OF
RELATED TRANSACTIONS, EXTERNAL GUARANTEE
AND EXTERNAL INVESTMENT

List of the Amended Administration System of Related Transactions

The Administration System of Related Transactions Before Amendment

Article 6 The Directors assigned to subsidiaries shall procure such subsidiaries to formulate the administration system of related transactions according to the requirements of this system, and report the status of the transactions between them and their related parties to the Company on a quarterly basis. The subsidiaries shall set up positions for related transactions to be responsible for specific works regarding the related transactions of the Company's subsidiaries.

Article 7 Related party stated in this Measures refers to the related party as defined under the *Hong Kong Listing Rules*, which mainly refers to the directors, supervisors, chief executive officer or substantial ($\geq 10\%$) shareholders of the Company or its subsidiaries, or the persons holding office as a director of the Company or its subsidiaries in the past 12 months, or the associates of any aforesaid person.

For the definition of associates, please refer to the definition under the *Hong Kong Listing Rules*.

Article 11 The directors, supervisors, chief executive officer or shareholders who hold 10% or more of shares of the Company shall deliver a list of related parties and description on the affiliation to the information management department of the related party of the Company in a timely manner. The Company shall carry out the consideration and approval procedures to conduct the related party transaction, and strictly carry out the related party transaction to avoid the voting system. The parties under the transaction shall not avoid the consideration and approval procedures and obligation of information disclosure of the Company to conduct the related party transaction by withholding the affiliation or adopting other means.

The Administration System of Related Transactions After Amendment

Article 6 The Directors assigned to subsidiaries shall procure such subsidiaries to formulate the administration system of related transactions according to the requirements of this system, and report the status of the transactions between them and their related parties to the Company on a quarterly basis.

Article 7 Related party stated in this Measures refers to the related party as defined under the *Hong Kong Listing Rules*, **as well as the laws and regulations and the standardized documents of the listing place, which includes but not limited to** the directors, supervisors, chief executive officer or substantial ($\geq 5\%$) shareholders of the Company or its subsidiaries, or the persons holding office as a director of the Company or its subsidiaries in the past 12 months, or the associates of any aforesaid person.

For the definition of associates, please refer to the definition of *Hong Kong Listing Rules* **and the laws and regulations and the standardized documents of the listing place.**

Article 11 The directors, supervisors, chief executive officer or shareholders who hold 5% or more of shares of the Company shall deliver a list of related parties and description on the affiliation to the information management department of the related party of the Company in a timely manner. The Company shall carry out the consideration and approval procedures to conduct the related party transaction, and strictly carry out the related party transaction to avoid the voting system. The parties under the transaction shall not avoid the consideration and approval procedures and obligation of information disclosure of the Company to conduct the related party transaction by withholding the affiliation or adopting other means.

APPENDIX II AMENDMENTS TO THE ADMINISTRATION SYSTEM OF
RELATED TRANSACTIONS, EXTERNAL GUARANTEE
AND EXTERNAL INVESTMENT

*The Administration System of Related
Transactions Before Amendment*

Article 20

Article 23

*The Administration System of Related
Transactions After Amendment*

Article 20 Clause 2 is added to Article 12

The Company shall publish an announcement in relation to related transaction and conduct relevant approval procedures according to the requirement of the standardized documents under the laws and regulations of the listing place.

Clause 2 is added to Article 23

Save for disclosing the consideration process according to Hong Kong Listing Rules, the Company shall consider the related transactions according to the followings:

(I) The approving power of the Board

- 1. A proposed related transaction with a transaction amount of over \$300,000 to be entered into between the Company and a connected natural person (except for those guarantee provided by the Company) shall be disclosed in a timely manner and be put forward to the Board of Director for consideration.**

APPENDIX II AMENDMENTS TO THE ADMINISTRATION SYSTEM OF
RELATED TRANSACTIONS, EXTERNAL GUARANTEE
AND EXTERNAL INVESTMENT

*The Administration System of Related
Transactions Before Amendment*

*The Administration System of Related
Transactions After Amendment*

2. A proposed related transaction with a transaction amount of over \$3 million with an absolute value of the latest audited net assets of the Company of over 0.5% (other than those guarantee provided by the Company) shall be disclosed in a timely manner and be put forward to the Board of Directors for consideration.

- (II) The approving power of the general meeting

If a proposed related transaction between the Company and a connected person meets one of the following criteria, in addition to making timely disclosure, the proposed transaction shall be put forward to the Board of Directors and the general meeting to consider:

1. A significant related transaction of a transaction amount (other than the guarantee provided by the Company, and receiving cash assets as gift) of over \$30 million with an absolute value of the latest audited net assets of over 5%.

APPENDIX II AMENDMENTS TO THE ADMINISTRATION SYSTEM OF
RELATED TRANSACTIONS, EXTERNAL GUARANTEE
AND EXTERNAL INVESTMENT

*The Administration System of Related
Transactions Before Amendment*

*The Administration System of Related
Transactions After Amendment*

For a proposed significant related transaction, the Company shall provide an audit or evaluation report on the subject transaction issued by a securities service institution with proper qualification on securities and futures related business. As for the subject of a related transaction in relation to daily operations as required by CSRC and a stock exchange, an audit or evaluation may not be required.

2. The Company provides guarantee for connected person.

Save for (I) and (II) in this Article, approval shall be given by the general manager and be reported to the Board of Directors for records.

Article 44 The monitoring and audit department of the Company shall conduct the audit and supervision towards the status of related transactions.

Article 44 The audit department of the Company shall conduct the audit and supervision towards the status of related transactions.

Addition

Clause 2 of Articles 48 is added “\$” referred in these rules represents Renminbi, the lawful currency of the PRC.

APPENDIX II AMENDMENTS TO THE ADMINISTRATION SYSTEM OF
RELATED TRANSACTIONS, EXTERNAL GUARANTEE
AND EXTERNAL INVESTMENT

Appendix VI:

The List of the Amended Administration System of External Guarantee

*The Administration System of External
Guarantee Before Amendment*

Article 15 The external guarantee of the Company shall be considered and approved by the Board of Directors and the general meeting of the Company according to the requirements of transaction or related transaction (if applicable) to be disclosed under the Articles of Association, this Measures, and the *Hong Kong Listing Rules*.

Article 18 The other external guarantees, other than the circumstances set out in Article 18 in this Measures, shall be implemented after being approved by the Board of Directors of the Company, provided that it is agreed and resolved after consideration and approval by more than two-thirds of the directors who attend the Board meeting, as well as passed by more than half of all the directors of the Company.

Article 25 The Company shall provide external guarantee subject to the following conditions: (1) the total guarantee amount shall not exceed the total asset of the Company; (2) the accumulated guarantee amount provided by the same guarantor in total shall not exceed 40% of the total asset of the Company; (3) the single guarantee amount shall not exceed 20% of the total asset of the Company; (4) when there are two or more guarantors for the debt and they agree to take such responsibilities based on their portions, they shall refuse to undertake the obligation for the guarantee of more than the agreed amount.

*The Administration System of External
Guarantee After Amendment*

Article 15 The external guarantee of the Company shall be considered and approved by the Board of Directors and the general meeting of the Company according to the requirements of transaction or related transaction (if applicable) to be disclosed under the Articles of Association, this Measures, the *Hong Kong Listing Rules*, **the laws and regulations and the standardized legal documents of the listing place.**

Article 18 The other external guarantees, other than the circumstances set out in **Article 17** in this Measures, shall be implemented after being approved by the Board of Directors of the Company, provided that it is agreed and resolved after consideration and approval by more than two-thirds of the directors who attend the Board meeting **and more than two-thirds of all independent directors**, as well as passed by more than half of all the directors of the Company.

Article 25 is deleted

**APPENDIX II AMENDMENTS TO THE ADMINISTRATION SYSTEM OF
RELATED TRANSACTIONS, EXTERNAL GUARANTEE
AND EXTERNAL INVESTMENT**

Appendix V:

List of the Amended Administrative System of External Investment

The Administration System of External Investment Before Amendment

The Administration System of External Investment After Amendment

Article 9 The general meeting and the Board of Directors of the Company are the decision-making entities for external investment, which make approval decisions for the Company's external investment within their respective scope of authority under the requirement of the Articles of Association of the Company.

Article 9 The general meeting and the Board of Directors of the Company are the decision-making entities for external investment, which make approval decisions for the Company's external investment within their respective scope of authority under the requirement of the Articles of Association of the Company.

- (I) The general meeting shall approve the following investments: to approve the external investment with a transaction amount of over 50% of the latest audited net assets of the Company;
- (II) Board of Directors shall approve the other investments other than the investments to be approved by the general meeting.

- (I) The general meeting shall approve the following investments:**
 - 1. The total assets involved in the transactions accounts for more than 50% of the latest audited total assets of the Company. If the total assets involved in the transaction have both book value and appraised value whichever is higher shall be taken for calculation;**

APPENDIX II AMENDMENTS TO THE ADMINISTRATION SYSTEM OF
RELATED TRANSACTIONS, EXTERNAL GUARANTEE
AND EXTERNAL INVESTMENT

*The Administration System of External
Investment Before Amendment*

*The Administration System of External
Investment After Amendment*

2. the relevant operating revenue of the subject of the transaction (such as equity interest) for the latest accounting year accounts for more than 50% of the audited operating revenue of the Company for the latest accounting year with an absolute value of more than \$50 million;
3. the relevant net profit of the subject of the transaction (such as equity interest) for the latest accounting year accounts for more than 50% of the audited net profit of the Company for the latest accounting year with an absolute value of more than \$5 million;
4. the transaction amount of the subject transaction (including the liabilities and expenses assumed) accounts for more than 50% of the latest audited net assets of the Company with an absolute value of more than \$50 million;

APPENDIX II AMENDMENTS TO THE ADMINISTRATION SYSTEM OF
RELATED TRANSACTIONS, EXTERNAL GUARANTEE
AND EXTERNAL INVESTMENT

*The Administration System of External
Investment Before Amendment*

*The Administration System of External
Investment After Amendment*

5. the profit generated from the transaction accounts for more than 50% of the audited net profit of the Company for the latest accounting year with an absolute value of more than \$5 million.

If the figures involved in the above calculation of the indicators are negative, then the calculation shall be based on their absolute values.

- (II) The Board of Directors shall approve the following investments:

1. The total assets involved in the transactions accounts for more than 10% of the latest audited total assets of the Company. If the total assets involved in the transaction have both book value and appraised value whichever is higher shall be taken for calculation;
2. the relevant operating revenue of the subject of the transaction (such as equity interest) for the latest accounting year accounts for more than 10% of the audited operating revenue of the Company for the latest accounting year with an absolute value of more than \$10 million;

APPENDIX II AMENDMENTS TO THE ADMINISTRATION SYSTEM OF
RELATED TRANSACTIONS, EXTERNAL GUARANTEE
AND EXTERNAL INVESTMENT

*The Administration System of External
Investment Before Amendment*

*The Administration System of External
Investment After Amendment*

3. the relevant net profit of the subject of the transaction (such as equity interest) for the latest accounting year accounts for more than 10% of the audited net profit of the Company for the latest accounting year with an absolute value of more than \$1 million;
4. and the transaction amount of the transaction (including the liabilities and expenses assumed) accounts for more than 10% of the latest audited net assets of the Company with an absolute value of more than \$10 million;
5. the profit generated from the transaction accounts for more than 10% of the audited net profit of the Company for the latest accounting year with an absolute value of more than \$1 million.

In case the data involved in the above benchmark calculation is negative, the absolute value will be taken in the calculation.

Other than the investment cap in this Measure, approval shall be given by the General Manager and be reported to the Board for record.

Addition

Clause 2 of Article 58 is added “\$” referred in these systems represents Renminbi, the lawful currency of the PRC.

List of the Amended System Concerning the Duties of for Independent Directors

*The System Concerning the Duties of
Independent Directors Before Amendment*

Article 4 The Board of Directors shall consist of over one-third (and at least three) independent directors. The independent directors of the Company constitute the majority of the members of the Audit Committee, the Remuneration Committee and the Nomination Committee.

Article 6

Article 9 Independent directors shall be nominated by the Nomination Committee under the Board of Directors and the Board of Directors, and shall be elected at the general meeting. Independent directors shall have the same term of office as other directors of the Company. Upon expiry, the term of office is renewable upon re-election. However, if the term of an independent director is more than 9 years, he/she shall only be appointed after meeting the requirement of Article 13 in this Measure.

*The System Concerning the Duties of
Independent Directors After Amendment*

Article 4 The Board of Directors shall consist of over one-third (and at least three) independent directors. The independent directors of the Company constitute the majority of the members of the Audit Committee, the Remuneration Committee and the Nomination Committee, **and shall act as the Chairman.**

Clause 2 is added to Article 6

The qualifications for an independent Director required by the Shenzhen Stock Exchange shall be satisfied at the same time.

Article 9 Independent directors shall be nominated by the Nomination Committee under the Board of Directors and the Board of Directors, and shall be elected at the general meeting. Independent directors shall have the same term of office as other directors of the Company. Upon expiry, the term of office is renewable upon re-election. However, if the term of an independent director is more than **6 years, he/she shall not be nominated as the candidate of independent directors of such listed company within 12 months from the date of the occurrence of such event.**

*The System Concerning the Duties of
Independent Directors Before Amendment**The System Concerning the Duties of
Independent Directors After Amendment*

Article 10

Clause 2 is added to Article 10

In addition, necessary procedures shall be implemented in accordance with the laws and regulations and the requirements under the standardized legal documents of the listing place.

Article 12 The Board and the Supervisory Committee are entitled to propose at a general meeting to dismiss an independent director in any of the following circumstances:

Article 12 The Board and the Supervisory Committee are entitled to propose at a general meeting to dismiss an independent director in any of the following circumstances:

- (I) serious neglect of duty;
- (II) failure to attend the Board meetings in person or by appointing another director for two times within one year;
- (III) other circumstances provided by laws, regulations and regulatory documents where an independent director is no longer suitable for holding such a position

- (I) serious neglect of duty;
- (II) failure to attend the Board meetings in person or by appointing another director for two **consecutive** times;
- (III) other circumstances provided by laws, regulations and regulatory documents where an independent director is no longer suitable for holding such a position

Article 13 If an independent director serves more than 9 years, his/her further appointment shall be considered and approved by a separate resolution at the general meeting. The documents delivered to shareholders accompanying that resolution shall state the reason why the Board believes he/she is still independent and should be re-appointed.

Article 13 is deleted

*The System Concerning the Duties of
Independent Directors Before Amendment*

Article 24 An independent director shall express objective, fair and independent opinions on the matters discussed at the general meeting or Board meeting, and shall express his/her opinions particularly on the followings to the Board of Directors, the committees under the Board of Directors, and the general meeting:

- (I) the significant related transaction required to be disclosed under the Hong Kong Listing Rules;
- (II) the other significant transactions required to be disclosed under the Hong Kong Listing Rules;
- (III) the matters that may jeopardize the interests of minority shareholders in the opinion of independent directors;
- (IV) the matters that may cause significant losses to the Company in the opinion of independent Directors;
- (V) other matters as required under the laws, regulations, standardized documents and securities supervisory and administrative authority of the listing place, or stipulated in the Articles of Association of the Company.

*The System Concerning the Duties of
Independent Directors After Amendment*

Article 23 An independent director shall express objective, fair and independent opinions on the matters discussed at the general meeting or Board meeting, and shall express his/her opinions particularly on the followings to the Board of Directors, the committees under the Board of Directors, and the general meeting:

- (I) **nomination and removal of directors;**
- (II) **appointment or removal of senior management member;**
- (III) **the remuneration of the directors and the senior management members of the Company;**
- (IV) **the formulation, adjustment, decision procedures, execution and information disclosure in respect of cash dividend policy of the Company, and whether the profit distribution policy will jeopardize the legal interests of minority investors;**
- (V) **material matters such as related transactions required to be disclosed, external guarantee (excludes guarantee provided by subsidiaries in consolidated statement), entrusted wealth management, provision of external financial assistance, change of the use of raised funds, change of the accounting policy of a listed company, investments of stocks and derivatives;**

*The System Concerning the Duties of
Independent Directors Before Amendment**The System Concerning the Duties of
Independent Directors After Amendment*

- (VI) for the existing or newly incurred borrowings or other funds with a total amount of more than \$3 million of the Company or over 5% of the latest audited net assets of the Company from the shareholders of the Company, de facto controllers, and its related companies, whether the Company has taken effective measures to recover such receivables;
- (VII) material asset restructuring scheme, and share incentive scheme;
- (VIII) the Company proposes to no longer trade on the current stock exchange, or switch to apply to trade in other stock exchanges or shall be transferred;
- (IX) the matters that may jeopardize the interests of minority shareholders in the opinion of independent directors;
- (X) the other matters required under the laws, regulations, and standardized documents of the listing place and the *Articles of Association of the Company*.

The independent directors shall obtain the consent from more than half of all independent directors in exercising the above powers. If the abovementioned proposals are not adopted or the abovementioned powers fail to be properly exercised, the Company shall disclose the relevant situation.

*The System Concerning the Duties of
Independent Directors Before Amendment**The System Concerning the Duties of
Independent Directors After Amendment*

Addition

Article 24 An independent director shall exercise the following special functions and powers:

- (I) the related transactions required to be put forward to the general meeting shall, after being approved by independent directors, be submitted to the Board of Directors for discussion. The independent directors may, before making a judgment, engage an intermediary to issue an independent report;
- (II) to propose to the Board of Directors to engage or remove an accounting firm;
- (III) to propose to the Board of Directors to convene an extraordinary general meeting;
- (IV) to collect the opinions from the minority shareholders to make a proposal on profit distribution, and to submit directly to the Board of Directors for approval;
- (V) to propose to convene a Board meeting;
- (VI) to engage an external audit firm and advisory firm separately;
- (VII) to seek voting rights from the shareholders publicly prior to convening a general meeting, but it shall not do so by taking a paid basis or on a covertly paid basis.

When exercising the above powers, the independent directors shall obtain the consent from more than half of all the independent directors.

Addition

Article 29 "\$" referred in these systems represents Renminbi, the lawful currency of the PRC.

CHARMACY PHARMACEUTICAL CO., LTD.

Measures Concerning the Administration of Raised Funds

Chapter 1 General Provisions

Article 1 In order to regulate the administration and use of raised funds of Charmacy Pharmaceutical Co., Ltd. (hereinafter referred to as the “**Company**”), enhance the efficiency and effectiveness of the use of raised funds, keep raised funds safe from relevant risks and protect the interests of investors, these Administration System are hereby formulated in accordance with the requirements of the relevant laws, regulations and regulatory documents, such as the *Company Law of the People’s Republic of China*, the *Securities Law of the People’s Republic of China*, the *Measures for Administration of Securities Issuance of Listed Companies*, the *Regulatory Guidelines for Listed Companies No. 2 – Regulatory Requirements for the Management and Use of Funds Raised by Listed Companies*, the *Rules Governing Listing of Stocks on Shenzhen Stock Exchange* (hereinafter referred to as the “**Stock Listing Rules**”), and the *Articles of Association of Charmacy Pharmaceutical Co., Ltd.* (hereinafter referred to as the “**Articles of Association of the Company**”) and taking into account the Company’s actual conditions.

Article 2 Raised funds in the administration system refer to the funds raised from the domestic public offering of securities (including initial public offering, share allotment, follow-on offering, offering of convertible corporate bonds, offering of convertible corporate bonds with warrants, etc.) and private placement of securities to investors by the Company, except for funds raised from implementation of share incentive schemes.

Article 3 The use of raised funds should follow the principles of norm and transparency and shall be strictly limited to the projects that the Company announced to invest in with raised funds. The Company shall not change the use of raised funds without obtaining shareholder approval at the Company’s general meetings.

Article 4 The Company shall file the internal control system for the deposit, use and management of raised funds with Shenzhen Stock Exchange for recording in a timely manner and disclose it on the websites of Shenzhen Stock Exchange.

Article 5 The general manager of the Company is responsible for raising funds and the centralized management of its investment projects; the secretary of the Board of Directors is responsible for the disclosure of information relating to the management, use and change of raised funds; and the finance department is responsible for the daily management of raised funds, including the opening and management of special accounts and the deposit, use and account management of raised funds.

Chapter 2 Deposit of Raised Funds

Article 6 The raised funds of the Company shall be deposited into a special account approved by the Board of Directors (hereinafter referred to as the “**Special Account for Raised Funds**”) for centralized management.

The Special Account for Raised Funds shall not be used for deposit of non-raised funds or for any other purposes.

If the Company has undertaken two or more fund raising activities, it shall establish the Special Account for Raised Funds independently.

Article 7 A tripartite regulatory agreement concerning the deposit in the Special Account for Raised Funds shall be signed by the Company, the sponsor and the commercial bank in which the funds are deposited (the “**Commercial Bank**”) within one month upon receipt of the raised funds. The agreement shall include at least the following terms:

- (I) the Company shall deposit raised funds into the Special Account for Raised Funds;
- (II) Account number of the Special Account for Raised Funds, the raised funds projects that Special Account for Raised Funds involves and the amount deposited;
- (III) In the event that the withdrawal from the Special Account for Raised Funds by the Company is more than RMB10 million in total or reaching 5% of the net amount of raised funds in one lump-sum or within 12 months, the Company and the Commercial Bank shall notify the sponsor in a timely manner;
- (IV) The Commercial Bank shall provide a bank statement of the Special Account for Raised Funds to the Company on a monthly basis, with a copy provided to the sponsor;
- (V) The sponsor may at any time inquire information on the Special Account for Raised Funds in Commercial Bank;
- (VI) The sponsor’s duties of supervision, the Commercial Bank’s duties of giving notice and coordination, as well as the supervision of the sponsor and Commercial Bank on the Company’s use of raised funds;
- (VII) The rights, obligations and liabilities for breach of contract of the Company, Commercial Bank and sponsor;

(VIII) In the event of the Commercial Bank's failure, for three times, to timely provide reconciliation statements or notify the sponsor on large lump sum withdrawal from the special account, and failure to meet the sponsor's requests to inquire and investigate into information on the special account, the Company may terminate the agreement and cancel such Special Account for Raised Funds.

Upon signing of the said agreement, the Company shall publish an announcement on major terms of such agreement in a timely manner.

As to investment projects financed by raised funds implemented through the Company's holding subsidiaries, the tripartite regulatory agreement shall be signed among the Company, the holding subsidiaries which will implement the investment projects financed by raised funds, the Commercial Bank and the sponsor, and the Company and its holding subsidiaries shall be together deemed as a party.

In the event of early termination of the above agreement before expiry, the Company shall enter into a new agreement with related parties within one month from the date of termination of the agreement and publish an announcement in a timely manner.

Article 8 If the sponsors find that the Company or the Commercial Bank failed to perform the tripartite regulatory agreement concerning the deposit in the Special Account for Raised Funds in accordance with the agreement, the sponsors shall promptly report to Shenzhen Stock Exchange in writing upon being informed of relevant facts.

Chapter 3 Use of Raised Funds

Article 9 The basis for the use of raised funds is the proposal for the use of raised funds.

Article 10 The proposal for the use of raised funds is prepared and approved according to the following procedures:

- (I) The department of the Company responsible for projects prepares a proposal (draft) for the use of raised funds based on the feasibility report of the investment projects financed by raised funds;
- (II) The proposal (draft) for the use of raised funds is reviewed by the office meeting of general manager;
- (III) The proposal (draft) for the use of raised funds is considered and approved by the Board of Directors.

Article 11 The use of raised funds must strictly follow the Company's financial management system to complete the procedures of approval regarding utilization of funds. After submitting an application for the use of raised funds by the department and

the financial department verifies the proposal for the use of raised funds, the payment shall be made after the signature of financial director, general manager and the chairman.

Article 12 Upon failure of completion of the projects due to unforeseen objective factors, the actual situations must be reported promptly to the general manager and the Board of Directors with detailed explanations by the department that implements the project. The Board of Directors should make a decision and publish an announcement.

Article 13 In order to avoid leaving raised funds idle, the temporary unused raised funds can be used to replenish the Company's working capital on premise of ensuring that it does not affect the implementation and development of raised funds projects and subject to approval from the Board of Directors and information disclosure.

Article 14 None of the individuals, legal persons, other organisations or any of their connected persons with actual controlling power over the Company may occupy raised funds.

Article 15 Raised funds of the Company shall, in principle, be utilized in principal businesses. The Company shall not perform the followings acts with raised funds:

- (I) except for financial enterprises, investment projects financed by raised funds refer to holding financial assets for trading and financial assets available for sale, and financial investments lent to individuals and for entrusted wealth management, as well as direct or indirect investment in the companies that primarily engage in dealing of securities;
- (II) change the use of raised funds in disguised form by way of pledges, entrusted loans or otherwise;
- (III) provide raised funds, whether directly or indirectly, to related parties such as the controlling shareholder(s) and actual controller(s), or provide convenience to related parties for inappropriate gains from the investment projects financed by raised funds;
- (IV) other acts that violate the requirements of management requirements on raised funds.

Article 16 Where the Company has invested with its own funds in investment project financed by raised funds in advance, such funds shall be replaced with the raised funds within six months upon receipt thereof.

Such replacement shall be subject to approval by the Board of Directors of the Company, with a verification report issued by an accounting firm and the affirmative opinions expressly given by independent directors, Supervisory Committee and the sponsor. The Company shall notify Shenzhen Stock Exchange and publish an announcement within two trading days after the meeting of the Board of Directors.

Article 17 The temporarily idle raised funds may be used for cash management, and the investment products shall have the term not exceeding 12 months and shall meet the following conditions:

- (I) the product shall be of highly safe, the repayment of its principal amount shall be guaranteed, and its issuer shall be able to make a principal amount-guaranteed commitment;
- (II) the product shall be of good liquidity, and shall not affect the normal implementation of investment plan of raised funds.

The investment products shall not be pledged, and the special account for settlement of products (if applicable) shall not be used for the deposit of non-raised funds or for any other purposes. In case of opening or canceling a special account for settlement of products, the Company shall file with Shenzhen Stock Exchange and publish an announcement within two trading days.

Article 18 If the Company invests its idle raised funds in any product, it shall be subject to the approval by the Board of Directors of the Company, and explicit consent declared by the independent directors, Supervisory Committee and the sponsor institution. The Company shall make an announcement of the following within 2 trading days after the meeting of the Board of Directors:

- (I) the basic information of the raised funds, including, among others, the time of raising, the amount of the raised funds and the net amount of raised funds and investment plans;
- (II) the use of the raised funds;
- (III) the amount limit and timeframe of the use of idle raised funds to invest in products, whether there are any acts of changing the use of the raised funds in a disguised manner and measures taken to ensure such use will not affect the normal proceeding of the projects financed by raised funds;
- (IV) the means of profit distribution, investment scope and safety of the investment products;
- (V) the opinions issued by the independent directors, Supervisory Committee and the sponsor institution.

The Company, on principle, shall solely invest in the investment products of a commercial bank as an issuing entity, which is subject to the approval by the Board of Directors, and explicit consent declared by independent directors, the Supervisory Committee, and sponsor institution. It shall also be put forward at the general meeting for consideration and approval as required under these Articles of Association, and be put forward at the general meeting for consideration and approval.

For the issuing entity of the investment products is other financial institutions other than commercial banks, it is subject to the approval by the Board of Directors, and explicit consent declared by independent directors, the Supervisory Committee, and sponsor institution, and shall also be put forward at the general meeting for consideration and approval.

Article 19 If the Company uses the idle raised funds to supplement the working capital temporarily, the following requirements shall be met:

- (I) the use of the raised funds shall not be changed in disguised form, and the normal proceeding of investment plan of the raised funds shall not be affected;
- (II) such working capital shall be limited to the use in production and operation related to the principal business, and shall not be directly or indirectly used to place and/or subscribe for new shares, nor used in transactions of shares and their derivatives, convertible bonds, etc.;
- (III) the duration of any individual replenishment of working capital shall not exceed 12 months;
- (IV) any raised funds used for previous temporary working capital replenishment shall be returned when due (if applicable).
- (V) No risky investment has been made, and undertake that no risky investment will be made, nor will provide financial assistance to a target other than a holding subsidiary when using the idle raised funds to temporarily replenish the working capital, during the last 12 months.

Where the Company temporarily replenish the working capital with idle raised funds, it is subject to the approval by the Board of Directors of the Company, and the explicit consent declared by independent directors, Supervisory Committee and the sponsor institution. The Company shall report to the Shenzhen Stock Exchange and make an announcement within 2 trading days after the meeting of the Board of Directors.

Prior to the due date of the replenished working capital, the Company shall return such raised funds to the Special Account for Raised Funds, and report to the Shenzhen Stock Exchange and make an announcement within 2 trading days after the return of such funds in full.

Article 20 The part where the actual net amount of raised funds is in excess of the amount of funds planned to be raised (hereinafter referred to as the “**Excessive Raised Funds**”) can be used for permanent replenishment of working capital or repayment of bank loans, but the accumulated amount used over each 12-month period shall not exceed 30% of the total Excessive Raised Funds and the Company shall undertake not to invest in high-risk investments nor provide financial assistance to others within 12 months after the replenishment of working capital.

Article 21 If the Excessive Raised Funds are used for permanent replenishment of working capital or repayment of bank loans, it is subject to the approval by the Board of Directors and the general meeting of the Company, and shall provide online voting for shareholders, and the explicit consent declared by independent directors, Supervisory Committee and the sponsor institution and to be disclosed, and shall satisfy the following requirements:

- (I) The Company has made no risky investment, nor has provided financial assistance to a target other than a holding subsidiary during the last 12 months;
- (II) The Company shall undertake that no risky investment will be made, nor has provided financial assistance to a target other than a holding subsidiary during the 12-month period after the repayment of bank loans or replenishment of working capital, as well as making disclosure;
- (III) The Company shall repay the bank loans or replenish working capital according to its actual needs, and the accumulated amount for every 12-month period shall not exceed 30% of the total funds raised.

The Company shall report to the Shenzhen Stock Exchange and make an announcement of the followings within 2 trading days after the meeting of the Board of Directors:

- (I) the basic information of the raised funds, including, among others, the time of raising, the amount of the raised funds, the net amount of raised funds, the Excessive Raised Funds and the investment plan;
- (II) the use of the raised funds;
- (III) the necessity of, and the detailed plan on, the use of the Excessive Raised Funds for the permanent replenishment of working capital or repayment of bank loans;
- (IV) the undertaking that no high-risk investments will be made and no financial assistance to others will be provided within 12 months after the replenishment of working capital;
- (V) the influence of using the Excessive Raised Funds to permanently replenish working capital or repay bank loans on the Company;
- (VI) opinions issued by independent directors, Supervisory Committee and sponsor institution.

Article 22 If the Company uses the Excessive Raised Funds for projects under construction and new projects (including the acquisition of assets, etc.), the Company shall invest such funds in the principal business, and carry out feasibility analysis of investment projects in a scientific and prudent manner by reference to the relevant provisions of Article 25 to Article 28 herein, and timely perform the obligations of information disclosure.

Article 23 After the completion of a single investment project financed by raised funds, if the Company uses the remaining raised funds (including interest income) for other investment projects financed by raised funds, it shall be subject to the approval of the Board of Directors, and explicit consent declared by independent directors, sponsor institution and Supervisory Committee. The Company shall report to the Shenzhen Stock Exchange and make an announcement within 2 trading days after the meeting of the Board of Directors.

If the remaining raised funds (including interest income) is less than RMB1 million or less than 1% of the committed capital investment from the raised funds of the project, the Company may be excused from performing the procedures in the preceding clause and the usage of such funds shall be disclosed in the annual report.

If the remaining raised funds (including interest income) of a single investment project of the Company financed by raised funds are used for non-investment projects financed by raised funds (including replenishment of working capital), the Company shall perform corresponding procedures and obligation of disclosure by reference to the alteration in investment projects financed by raised funds.

Article 24 After the completion of all investment projects financed by raised funds, if the remaining raised funds (including interest income) are more than 10% of the net amount of the raised funds, the Company may use the remaining amount subject to the approval of the Board of Directors and general meeting of shareholders, and explicit consent declared by independent directors, sponsor institution and Supervisory Committee. The Company shall report to the Shenzhen Stock Exchange and make an announcement within 2 trading days after the meeting of the Board of Directors.

If the remaining of the raised funds (including interest income) are less than 10% of the net amount of the raised funds, the Company may use the remaining amount subject to the approval of the Board of Directors, and explicit consent declared by independent directors, sponsor institution and Supervisory Committee. The Company shall report to the Shenzhen Stock Exchange and make an announcement within 2 trading days after the meeting of the Board of Directors.

If the remaining raised funds (including interest income) are less than RMB5 million or 1% of the net amount of the raised funds, the Company may be excused from performing the procedures in the preceding clause, and the usage of such raised funds shall be disclosed in the latest periodic report.

Chapter 4 Change in Investment of Raised Funds

Article 25 The raised funds of the Company shall be used for the purposes as set forth in the prospectus or the raising statement. If the Company's investment projects financed by raised funds have changed, it shall be subject to the approval of the Board of Directors and general meeting of shareholders, and the explicit consent declared by independent directors, sponsor institution and Supervisory Committee.

If the Company only changes the site of investment projects financed by raised funds, it may be excused from performing the procedures in the preceding clause, but it shall be subject to the approval of the Board of Directors of the Company. And the Company shall report to the Shenzhen Stock Exchange and announce the reasons for the change and opinions of the sponsor institution within 2 trading days.

Article 26 The altered investment projects financed by raised funds shall invest in the principal business.

The Company shall carry out the feasibility analysis for new investment projects financed by raised funds in a scientific and prudent manner, to make sure the investment projects are with good market prospects and profitability, to effectively guard against the investment risks and improve the utilization efficiency of raised funds.

Article 27 If the Company proposes to change investment projects financed by raised funds, it shall report to the Shenzhen Stock Exchange and make an announcement of the following within 2 trading days after the deliberation of the Board of Directors:

- (I) the basic information of original investment projects financed by raised funds and the specific reasons for the change;
- (II) the basic information of new investment projects financed by raised funds, feasibility analysis and risk warning;
- (III) the investment plan for new investment projects financed by raised funds;
- (IV) the statement that new investment projects financed by raised funds have been approved or to be approved by relevant departments (if applicable);
- (V) opinions of independent directors, Supervisory Committee and sponsor institution on the change in investment projects financed by raised funds;
- (VI) the statement that the change in investment projects financed by raised funds needs to be submitted to the general meeting of shareholders for consideration;
- (VII) other contents required by the Shenzhen Stock Exchange.

If new investment projects financed by raised funds involve related transactions, acquisition of asset, foreign investment, it shall also be disclosed with reference to the provisions of relevant rules.

Article 28 If the Company changes the investment projects financed by raised funds to acquire the assets (including equity) of the controlling shareholder or the actual controller, it shall ensure that the horizontal competition could be avoided effectively and the related transactions can be reduced effectively after the acquisition.

Article 29 If the Company intends to externally transfer or replace investment projects financed by raised funds (excluding investment projects financed by raised funds that have been fully transferred or replaced in the major assets restructuring of the Company), it shall report to the Shenzhen Stock Exchange and make an announcement of the following within 2 trading days after the deliberation of the Board of Directors:

- (I) the specific reasons for external transfer or replacement of investment projects financed by raised funds;
- (II) the amount of raised funds to be invested in this project;
- (III) completion progress of the project and its realized benefits;
- (IV) basic information, feasibility analysis and risk warning (if applicable) of the incoming projects;
- (V) the pricing basis for the transfer or exchange and related revenue;
- (VI) opinions on the transfer or replacement of the investment projects financed by raised funds from the independent directors, Supervisory Committee and the sponsor institution;
- (VII) Explanation on the transfer or replacement of the investment projects financed by raised funds subject to submission to general meeting for consideration;
- (VIII) other contents required by the Shenzhen Stock Exchange.

The Company shall give full attention to the collection and usage of the consideration of the transfer, the change in ownership of the incoming assets and the continuous operation of the incoming assets, and perform the necessary obligation of information disclosure.

Chapter 5 Report on Usage of the Raised Funds

Article 30 During the period from the raised funds is in place till it runs out, the general manager meeting shall be convened at least once a quarter to review the usage of the raised funds.

Article 31 The internal audit department shall at least audit once for the deposit and use of the funds raised every quarter, and shall express its opinions on the accuracy and compliance of the use of the funds raised.

A copy of the special report mentioned above shall be sent to Supervisory Committee simultaneously.

Article 32 The Board of Directors shall report to the investors in the annual reports and the interim reports in respect of the usage of the raised funds.

Article 33 The secretary of the Board of Directors shall be accountable to the information disclosure of the usage of the raised funds, and the financial director and financial department shall be accountable to the specific information.

Chapter 6 Supervision on the Usage of the Raised Funds

Article 34 The Company shall truly, accurately and completely disclose the actual usage of the raised funds.

Article 35 The Board of Directors of the Company shall fully examine the progress of the investment projects financed by raised funds every half a year, and issue the *Special Report on the Deposit and Actual Use of the Raised Funds of the Company* (hereinafter referred to as the “**Special Report on the Raised Funds**”) in respect of the deposit and usage of the raised funds.

If there is any difference between the actual investment progress and the investment plan of the investment projects financed by raised funds, the Company shall explain the specific reasons in the *Special Report on the Raised Funds*. If there are idle raised funds used in investment products for the current period, the Company shall disclose the revenue for the reporting period and the investment shares, contracting parties, products’ names, terms and other information of the end of the period in the *Special Report on the Raised Funds*.

The *Special Report on the Raised Funds* shall be subject to the consideration and approval of the Board of Directors and Supervisory Committee, and shall be reported to Shenzhen Stock Exchange and announced within 2 trading days after it is submitted to the Board of Directors for consideration. At the time of annual audit, the Company shall engage an accounting firm to issue a verification report for the deposit and usage of the raised funds, and submit it to Shenzhen Stock Exchange at the time of disclosure of annual report, and meanwhile, disclose it on the website of Shenzhen Stock Exchange.

Article 36 The independent directors, audit committee of the Board of Directors and Supervisory Committee shall continue to focus on the actual administration and usage of the raised funds. More than half of the independent directors, members of audit committee of the Board of Directors or Supervisory Committee may engage an accounting firm to issue a verification report on the deposit and usage of the raised funds. The Company shall proactively facilitate the above and bear necessary costs.

The Board of Directors shall report to Shenzhen Stock Exchange within 2 trading days following its receipt of the verification report as prescribed in the preceding clause and make an announcement thereof. If the verification report considers a non-compliance regarding the administration and usage of the raised funds by the Company, the Board of Directors shall also announce the non-compliance of the deposit and usage of the raised funds, and the consequences resulted in or possibly caused and measures taken or intended to be taken.

Chapter 7 Supplementary Provisions

Article 37 If the investment projects financed by raised funds are carried out by the Company's subsidiaries or other enterprises controlled by the Company, these provisions shall be applied.

Article 38 The term "above/more than" referred in these provisions includes the number, "lower than/less than" excludes the number; "\$" represents Renminbi, the lawful currency of the PRC.

Article 39 These provisions shall be interpreted by the Board of Directors of the Company.

Article 40 These provisions shall be in force upon consideration and pass by the general meeting of the Company.

CHARMACY PHARMACEUTICAL CO., LTD.

Measures Concerning the Administration of Prevention of Major Shareholders and
Related Parties from Occupying Funds

Chapter 1 General Provisions

Article 1 In accordance with the *Company Law of the People's Republic of China* (hereinafter referred to as the "*Company Law*"), the *Securities Law of the People's Republic of China* (hereinafter referred to as the "*Securities Law*"), the *Notice Concerning Some Issues on Regulating the Funds between Listed Companies and Related Parties and Listed Companies' Provision of Guarantee to Other Parties* (《關於規範上市公司與關聯方資金往來及上市公司對外擔保若干問題的通知》) and other relevant laws, regulations and normative documents, and the relevant requirements of the *Articles of Association of Charmacy Pharmaceutical Co., Ltd.* (hereinafter referred to as the "*Articles of Association of the Company*"), the Measures herein are hereby established to prevent the major shareholders holding more than 5% equity interests, controlling shareholders or actual controllers and related parties (hereinafter referred to as the "*Major Shareholders and Related Parties*") from occupying funds, safeguard the legitimate interests of all shareholders of the Company, establish a long-term mechanism to prevent Major Shareholders and Related Parties from occupying the Company's funds and eliminate the occupation of funds by Major Shareholders and Related Parties.

Article 2 The directors, supervisors and senior management of the Company have a legal obligation to safeguard the Company's fund security.

Article 3 The occupation of funds referred to herein includes occupation of operating funds and occupation of non-operating funds. Occupation of operating funds refers to the occupation of funds by the major shareholders and its related parties in the related transactions in respect of production and operation including procurement and sales. Occupation of non-operating funds refers to the advance of costs and other expenses such as wages, benefits, insurance premiums and advertising fees by the Company for Major Shareholders and Related Parties, the repayment of debts by the Company for Major Shareholders and Related Parties, the funds directly or indirectly lent to Major Shareholders and Related Parties at cost or at no cost, indebtedness derived from assuming guarantee liability for Major Shareholders and Related Parties, and other funds made available to Major Shareholders and Related Parties not at a consideration of goods and services.

Chapter 2 Situation of Prohibited Occupation of Funds

Article 4 The Company shall strictly restrict the occupation of funds when it conducts transactions of operating funds with Major Shareholders and Related Parties. The Company shall neither directly or indirectly provide funds, assets and resources for major shareholders and its related parties in the forms of advance payment of the period expenses such as wages, benefits, insurance premiums and advertisement fees and prepayment of investment funds, nor pay for the costs and other expenses for each other.

Article 5 The Company shall not directly or indirectly provide funds for Major Shareholders and Related Parties in the following manners:

- (I) Lending the Company's funds to Major Shareholders and Related Parties at cost or at no cost;
- (II) Providing entrusted loans for Major Shareholders and Related Parties through the bank or non-bank financial institutions;
- (III) Entrusting Major Shareholders and Related Parties to carry out investment activities;
- (IV) Issuing commercial acceptance bills without real transactions to Major Shareholders and Related Parties;
- (V) Repaying debts for Major Shareholders and Related Parties;
- (VI) By other means recognized by the China Securities Regulatory Commission (the "CSRC") and regulators where it is listed.

Article 6 The related transactions between the Company and Major Shareholders and Related Parties must strictly follow the *Articles of Association of the Company* and the *Administration System of Connected (Related) Transactions* in decision-making and implementation.

Chapter 3 Responsibilities and Measures

Article 7 The Company shall strictly prevent the occupation of non-operating funds by the Major Shareholders and Related Parties, and use its best endeavours to establish a long-term mechanism to prevent the occupation of non-operating funds.

Article 8 The directors, supervisors and senior managements of the Company and the chairmen or executive directors, general managers of the subsidiaries shall be responsible for the security of funds and properties of the Company. They shall diligently perform their duties in accordance with the relevant laws and regulations and the *Articles of Association of the Company*.

Article 9 The Company has set up a leading group for the prevention of the occupation of funds by Major Shareholders and Related Parties, as a regulator to prevent the Major Shareholders and Related Parties from occupying the Company's funds in ordinary course. The chairman of the Company shall act as a leader of the leading group, and the members shall be composed of other directors, independent directors, financial controller (director), the secretary of the Board of Directors and the head of the internal audit department.

Article 10 The Board of Directors of the Company considers and approves the related transactions by the Company and the Major Shareholders and Related Parties within their authorities and duties.

Article 11 The related transactions beyond the approval authority of the Board of Directors shall be submitted to the general meeting for consideration;

Article 12 The Company's finance department shall regularly conduct an inspection on the Company and its subsidiaries and report to the Board of Directors the review of transactions of non-operating funds with the Major Shareholders and Related Parties, to prevent the Major Shareholders and Related Parties from occupying the non-operating funds.

Article 13 In the event that the Major Shareholders and Related Parties misappropriate the assets of the Company and prejudice the interests of the Company and the public shareholders, the Board of Directors of the Company shall take effective measures to require major shareholders to cease the misappropriation and compensate for the losses. If the Major Shareholders and Related Parties refuse to take remedial measures, the Board of Directors of the Company shall promptly report to the relevant authorities and make an announcement in this regard, and bring a legal action against the Major Shareholders and Related Parties to protect the legitimate interests of the Company and all the shareholders.

Article 14 If the Major Shareholders and Related Parties of the Company have occupied the funds of the Company, the Company is entitled to apply for an immediate judicial freezing against the shares held by the major shareholders, the controlling shareholders or the actual controllers with the propose by more than half of the independent directors and the approval by the Board of the Directors of the Company, and determine the specific method for repayment in light of actual situations. The related directors shall abstain from voting in considering such matters by the Board of Directors.

If the Board of Directors fails to perform the above duties, more than half of the independent directors, the supervisory committee or the shareholders who individually or in aggregate hold more than 10% of the total voting shares of the Company are entitled to report to the securities regulatory department and propose to convene the extraordinary general meeting to make resolutions on relevant matters under the articles of association of the Company. When the relevant matters are considered in such extraordinary general meeting, the major shareholders, controlling shareholders or actual controller of the Company shall abstain from voting according to law, and the total number of voting shares held by them shall be excluded from the total number of voting shares of such general meeting.

Article 15 In case of any occupation of funds, the Company shall strictly control the conditions for the implementation of the "Debt Repayment by Shares" or "Debt Repayment by Funds", and step up its efforts in supervision to prevent the behaviors including substitution of a fake product for a genuine one and repudiation of debts with shares which will prejudice the interests of the Company and all the shareholders.

Chapter 4 Responsibility Bearing and Punishment

Article 16 When the directors and senior management of the Company assist and condone the misappropriation of the assets of the Company by Major Shareholders and Related Parties, the Board of Directors of the Company shall, based on the severity of the case, impose punishment on the direct responsible person and propose the removal of directors assuming enormous responsibility at the general meeting.

Article 17 If the occupation of non-operational funds by the Company or its controlling subsidiaries for the Major Shareholders and Related Parties adversely affects the Company, the Company will impose punishment and economic penalties on the relevant responsible persons.

Article 18 If the occupation of non-operational funds, illegal guarantees or otherwise by Major Shareholders and Related Parties due to the violation of the Measures herein by the Company or its controlling subsidiaries cause losses to investors, the Company will punish the relevant responsible person who will be transferred to judiciary to take the legal responsibility if suspected to breach the laws.

Chapter 5 Supplementary Provisions

Article 19 Matters not covered herein shall be governed by the relevant provisions of relevant laws, administrative regulations and normative documents of the State and the Articles of Association of the Company. In case of any discrepancies between the Measures herein and the laws, rules, guidance or memorandum issued by the CSRC, such laws, rules, guidance or memorandum shall prevail, and the Measures herein shall be amended accordingly.

Article 20 The Board of Directors of the Company is responsible for the formulation of, amendment to and interpretation of the Measures herein.

Article 21 The Measures herein become effective and are implemented from the date on which the same are approved at the general meeting of the Company.

APPENDIX VI COMPARISON OF THE ARTICLES OF ASSOCIATION AGAINST
THE (DRAFT) ARTICLES OF ASSOCIATION TO BE
EFFECTIVE UPON THE A SHARE OFFERING

**Explanation of the amendments to
the (draft) Articles of Association of the Company
by Charmacy Pharmaceutical Co., Ltd.**

The following table provides amendments to the existing Articles of Association of the Company made in preparation for the revised (draft) Articles of Association of the Company in respect of the A Share Offering. Such amendments shall be resolved at the EGM of the Company and become effective on the date when the initial public offering and listing of the Domestic Shares by the Company take place.

**Existing Articles of the Articles
of Association**

**Amended Articles of the Articles
of Association**

Addition

Article 1.1 For the purpose of protecting the legitimate rights and interests of Charmacy Pharmaceutical Co., Ltd. (hereinafter referred to as the “**Company**”), its shareholders and creditors, and of regulating the organisation and activities of the Company, these Articles of Association of the Company is formulated in accordance with the *Company Law of the People’s Republic of China* (hereinafter referred to as the “**Company Law**”), the *Securities Law of the People’s Republic of China* (hereinafter referred to as the “**Securities Law**”), and other relevant regulations.

Article 1.1 創美股份有限公司 (hereinafter referred to as the “**Company**”) is a joint stock limited liability company established in accordance with the *Company Law of the People’s Republic of China* (hereinafter referred to as the “**Company Law**”), the *Special Regulations on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies Promulgated by the State Council of the People’s Republic of China* (hereinafter referred to as the “**Special Regulations**”) and other relevant laws and administrative regulations of the PRC.

Article 1.2 The Company is a joint stock limited liability company established in accordance with the *Company Law*, the *Securities Law*, the *Special Regulations on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies Promulgated by the State Council of the People’s Republic of China* (hereinafter referred to as the “**Special Regulations**”) and other relevant laws and administrative regulations of the PRC.

APPENDIX VI COMPARISON OF THE ARTICLES OF ASSOCIATION AGAINST
THE (DRAFT) ARTICLES OF ASSOCIATION TO BE
EFFECTIVE UPON THE A SHARE OFFERING

**Existing Articles of the Articles
of Association**

**Amended Articles of the Articles
of Association**

Addition

Article 1.3 As approved by the China Securities Regulatory Commission on 30 October 2015, the Company issued not exceeding 32.20 million overseas listed foreign shares (the “**H Shares**”) with a nominal value of RMB1 per share to the public for the first time, all of which were ordinary shares. As approved by the Stock Exchange of Hong Kong Limited (hereinafter referred to as “**Hong Kong Stock Exchange**”) on 11 December 2015, the Company has been listed on the main board of Hong Kong Stock Exchange on 14 December 2015.

As approved by the full name of the approval institution, the Company issued the number of shares of domestically listed RMB ordinary Shares (A Shares) to the public, which was listed on the full name of the stock exchange on the listing date.

Article 1.3 The Company’s office : No. 235, Song Shan North Road, Longhu District, Shantou City

Article 1.5 The Company’s office : No. 235, Song Shan North Road, Longhu District, Shanton City

Postal Code: 515000

APPENDIX VI COMPARISON OF THE ARTICLES OF ASSOCIATION AGAINST
THE (DRAFT) ARTICLES OF ASSOCIATION TO BE
EFFECTIVE UPON THE A SHARE OFFERING

**Existing Articles of the Articles
of Association**

Article 1.5 The Company is a joint stock limited liability company that has perpetual existence. The Company is an independent legal person under the jurisdiction and protection of the laws, regulations and other relevant rules of the PRC. The entire capital of the Company is divided into shares of equal value. The rights and obligations of the shareholders of the Company are limited to the amount of the shares they hold. The Company shall be liable for its indebtedness to the extent of all of its assets.

Addition

Article 1.6 The Articles of Association of the Company shall take effect from the date of overseas initial public offering and listing of the Company's shares. Starting from its effective date, this Articles of Association shall constitute a document legally binding on the regulation of the organisation and activities of the Company, and the rights and obligations between the Company and its shareholders, as well as among the shareholders.

**Amended Articles of the Articles
of Association**

Article 1.7 The Company is a joint stock limited liability company that has perpetual existence. The Company is an independent legal person under the jurisdiction and protection of the laws, regulations and other relevant rules of the PRC.

Article 1.8 The entire capital of the Company is divided into shares of equal value. The rights and obligations of the shareholders of the Company are limited to the amount of the shares they hold. The Company shall be liable for its indebtedness to the extent of all of its assets.

Article 1.9 **The Articles of Association of the Company is resolved at the EGM of the Company and becomes effective on the date when the initial public offering and listing of the Domestic Shares by the Company take place. Subject to the Articles of Association of the Company becoming effective, the original Articles of Association of the Company and its amendments shall be replaced by the Articles of Association of the Company.**

Starting from its effective date, this Articles of Association shall constitute a document legally binding on the regulation of the organisation and activities of the Company, and the rights and obligations between the Company and its shareholders, as well as among the shareholders.

APPENDIX VI COMPARISON OF THE ARTICLES OF ASSOCIATION AGAINST
THE (DRAFT) ARTICLES OF ASSOCIATION TO BE
EFFECTIVE UPON THE A SHARE OFFERING

**Existing Articles of the Articles
of Association**

Article 1.7 This Articles of Association is binding on the Company and its shareholders, Directors, supervisors and senior management members, all of whom are entitled to claim for rights concerning the affairs of the Company in accordance with this Articles of Association.

A shareholder may take action against the Company pursuant to this Articles of Association, and vice versa. A shareholder may also take action against other shareholder(s) and the Directors, supervisors, and senior management members of the Company pursuant to this Articles of Association.

The actions referred to in the preceding clause shall include the instituting proceedings before the court or applying to the arbitration institution for arbitration.

The senior management members referred to in the preceding clause shall include general manager, the deputy general manager, the chief financial officer and the Board secretary of the Company.

**Amended Articles of the Articles
of Association**

Article 1.10 This Articles of Association is binding on the Company and its shareholders, Directors, supervisors and senior management members, all of whom are entitled to claim for rights concerning the affairs of the Company in accordance with this Articles of Association.

Pursuant to this Articles of Association, a shareholder may take action against the other shareholders, and a shareholder may also take action against the Directors, supervisors, managers and other senior management members of the Company. A shareholder may take action against the Company, and the Company may take action against the shareholders, Directors, supervisors, managers and other senior management members.

The actions referred to in the preceding clause shall include the instituting proceedings before the court or applying to the arbitration institution for arbitration.

APPENDIX VI COMPARISON OF THE ARTICLES OF ASSOCIATION AGAINST
THE (DRAFT) ARTICLES OF ASSOCIATION TO BE
EFFECTIVE UPON THE A SHARE OFFERING

**Existing Articles of the Articles
of Association**

**Amended Articles of the Articles
of Association**

Addition

Article 1.11 The other senior management members referred in this Articles of Association shall include deputy general manager, the Board secretary and the chief financial officer.

Addition

Article 3.2 The shares of the Company shall take the form of stock.

Addition

Article 3.4 The shares issued by the Company shall be held centrally in custody in name of the share registrar. The H shares of the Company shall be held in custody mainly in the Hong Kong Securities Clearing Company Limited.

Article 3.5 Shares issued by the Company to domestic investors for subscription in RMB shall be referred to as Domestic Shares. Shares issued by the Company to foreign investors for subscription in foreign currencies shall be referred to as foreign shares. Foreign shares which are listed overseas shall be referred to as overseas listed foreign shares.

Article 3.7 Shares issued by the Company to domestic investors for subscription in RMB shall be referred to as Domestic Shares. Shares issued by the Company to foreign investors for subscription in foreign currencies shall be referred to as foreign shares. Foreign shares which are listed overseas shall be referred to as overseas listed foreign shares.

APPENDIX VI COMPARISON OF THE ARTICLES OF ASSOCIATION AGAINST
THE (DRAFT) ARTICLES OF ASSOCIATION TO BE
EFFECTIVE UPON THE A SHARE OFFERING

**Existing Articles of the Articles
of Association**

Both holders of Domestic Shares and overseas listed foreign shares are ordinary shareholders and share the same obligations and rights.

The overseas listed foreign shares issued by the Company and listed in Hong Kong shall be referred to as H shares. H shares shall mean the shares which have been approved to be listed on the Stock Exchange of Hong Kong Limited (hereinafter referred to as "**Hong Kong Stock Exchange**") with the par value dominated in RMB and subscribed for and traded in Hong Kong dollars.

Subject to approval from the securities regulatory authorities of the State Council, Domestic Shareholders of the Company may transfer the shares held by them to foreign investors and cause such shares to be listed and traded overseas. The listing and trading of the transferred shares in overseas stock exchanges do not require convening any Class Meetings.

**Amended Articles of the Articles
of Association**

Both holders of Domestic Shares and overseas listed foreign shares are ordinary shareholders and share the same obligations and rights.

The overseas listed foreign shares issued by the Company and listed in Hong Kong shall be referred to as H Shares. H Shares shall mean the shares which have been approved to be listed on Hong Kong Stock Exchange with the par value dominated in RMB and subscribed for and traded in Hong Kong dollars.

Domestic shares may, upon the passing of the resolution at a general meeting and the approval on the applications of the Board by relevant governmental authorities, be listed on a stock exchange in the PRC and such shares shall be collectively known as A Shares after the listing on a stock exchange in the PRC.

Subject to approval from the securities regulatory authorities of the State Council, Domestic Shareholders of the Company may transfer the shares held by them to foreign investors and cause such shares to be listed and traded overseas. The listing and trading of the transferred shares in overseas stock exchanges do not require convening any Class Meetings.

**APPENDIX VI COMPARISON OF THE ARTICLES OF ASSOCIATION AGAINST
THE (DRAFT) ARTICLES OF ASSOCIATION TO BE
EFFECTIVE UPON THE A SHARE OFFERING**

**Existing Articles of the Articles
of Association**

Article 3.6 Subject to the approval by the company approval authorities authorized by the State Council, a total of 80,000,000 ordinary shares were issued by the Company upon its establishment, among which 70,000,000 shares (representing 87.5% of the total ordinary shares) held by Yao Chuanglong, 6,500,000 shares (representing 8.125% of the total ordinary shares) held by Yao Xizhen, 1,500,000 shares (representing 1.875% of the total ordinary shares) held by Shantou Meizhi Investment Management Limited Partnership* (汕頭市美智投資管理合夥企業(有限合夥)), 1,000,000 shares (representing 1.250% of the total ordinary shares) held by Shantou Youran Investment Management Limited Partnership* (汕頭市悠然投資管理合夥企業(有限合夥)) and 1,000,000 shares (representing 1.250% of the total ordinary shares) held by Shantou Zhichuang Investment Management Limited Partnership*(汕頭市智創投資管理合夥企業(有限合夥)).

Article 3.10 After the issuance of the overseas listed foreign shares as aforementioned in Article 3.7, the existing registered capital of the Company has been increased to RMB108,000,000.

**Amended Articles of the Articles
of Association**

Article 3.8 **The Company was established upon an overall conversion of the audited net assets of Shantou Charmacy Pharmaceutical Limited* (汕頭市創美藥業有限公司) as at 31 March 2015 at a certain ratio. The promoters of the Company subscribed for all 80 million ordinary shares issued by the net assets represented by the equity interests in Shantou Charmacy Pharmaceutical Limited* (汕頭市創美藥業有限公司) that they held. Yao Chuanglong held 70,000,000 shares (representing 87.5% of the total ordinary shares), Yao Xizhen held 6,500,000 shares (representing 8.125% of the total ordinary shares), Shantou Meizhi Investment Management Limited Partnership* (汕頭市美智投資管理合夥企業(有限合夥)) held 1,500,000 shares (representing 1.875% of the total ordinary shares), Shantou Youran Investment Management Limited Partnership* (汕頭市悠然投資管理合夥企業(有限合夥)) held 1,000,000 shares (representing 1.250% of the total ordinary shares), and Shantou Zhichuang Investment Management Limited Partnership* (汕頭市智創投資管理合夥企業(有限合夥)) held 1,000,000 shares (representing 1.250% of the total ordinary shares).**

Article 3.12 The registered capital of the Company shall be RMB [●].

* for identification purpose only

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**Existing Articles of the Articles
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**Amended Articles of the Articles
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Addition

Article 3.13 The total number of shares of the Company was [●] shares. The equity structure of the Company: [●] ordinary shares, and [●] shares of other classes.

Article 3.11 The Company may, based on its operating and development needs and in accordance with the requirements of this Articles of Association, authorize the increase of its capital. The Company may increase its capital through the following manners:

Article 3.14 The Company may, based on its operation and development needs and in accordance with the requirements of this Articles of Association, authorize the increase of its capital. The Company may increase its capital through the following manners:

- (I) offering new shares to non-specially-designated investors for subscription;
- (II) placing new shares to the existing shareholders;
- (III) allotting new shares to the existing shareholders;
- (IV) converting common reserve fund into share capital;
- (V) other means permitted by the laws and administrative regulations.

- (I) offering new shares to non-specific-designated investors for subscription;
- (II) placing new shares to existing shareholders;
- (III) allotting new shares to existing shareholders;
- (IV) converting common reserve fund into share capital;
- (V) **non-public issuance of shares;**
- (VI) other means as permitted by the laws and administrative regulations.

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The Company's increase of share capital by issuing new shares, after being approved in accordance with the provisions of this Articles of Association, shall be preceded in accordance with the procedures stipulated by the relevant laws and administrative regulations of the State.

Article 3.12 Unless otherwise stipulated in laws and administrative regulations or having obtained approval from the stock exchange where the Company's shares are listed for overseas listed foreign shares, fully paid up shares of the Company shall be freely transferable and shall not be subject to any lien.

**Amended Articles of the Articles
of Association**

The Company's increase of share capital by issuing new shares, after being approved in accordance with the provisions of this Articles of Association, shall be preceded in accordance with the procedures stipulated by the relevant laws and administrative regulations of the State.

Article 3.15 Unless otherwise stipulated in laws and administrative regulations or having obtained approval from the stock exchange where the Company's shares are listed for overseas listed foreign shares, fully paid up shares of the Company shall be freely transferable and shall not be subject to any lien.

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

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**Amended Articles of the Articles
of Association**

Addition

Article 3.17 Any gains from sale of shares of the Company held by any directors, supervisors, senior management members or shareholders holding more than 5% of the shares of the Company within six months after their purchase of the same, and any gains from purchase of shares of the Company by any of the aforesaid parties within six months after sale of the same shall be vested to the Company. The Board of Directors of the Company shall collect such gains it entitled. However, if a securities company holds more than 5% of shares by buying the remaining shares under an underwriting arrangement, the six-month limitation for selling the said shares shall not apply.

Should the Board of Directors of the Company does not observe the preceding article, shareholders shall be entitled to request the Board of Directors to effect the same within 30 days. If the Board of Directors of the Company fails to do so within the aforesaid timeframe, the shareholders may directly initiate proceedings in the People's Court in their own name for the interests of the Company.

Should the Board of Directors of the Company fails to comply with the requirements set out in the first article, the responsible director(s) shall assume joint responsibilities.

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Article 4.2 The Company must prepare a balance sheet and an inventory of assets when it reduces its registered capital.

The Company shall notify its creditors within 10 days from the date of the Company's resolution for reduction of registered capital and shall publish an announcement in a newspaper at least 3 times within 30 days from the date of such resolution. A creditor shall, within 30 days from the date of receipt of the notice from the Company or, in the case where a creditor does not receive such notice, within 90 days from the date of the first announcement, be entitled to require the Company to repay its debts or to provide a corresponding guarantee for the repayment of such debt.

**Amended Articles of the Articles
of Association**

Article 4.2 The Company must prepare a balance sheet and an inventory of assets when it reduces its registered capital.

The Company shall notify its creditors within 10 days from the date of the Company's resolution for reduction of registered capital and shall publish an announcement in a newspaper at least 3 times within 30 days from the date of such resolution. A creditor shall, within 30 days from the date of receipt of the notice from the Company or, in the case where a creditor does not receive such notice, within 90 days from the date of the first announcement, be entitled to require the Company to repay its debts or to provide a corresponding guarantee for the repayment of such debt.

The Company's registered capital may not, after the reduction in capital, be less than the minimum amount prescribed by the laws.

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of Association**

Article 4.3 Under the following circumstances, the Company shall, by way of the procedure prescribed by these Articles, report to the relevant authority in China for approval to repurchase its shares in issue:

- (I) cancellation of shares for the purposes of reducing its capital;
- (II) merger with other companies that hold shares in the Company;
- (III) granting shares to the Company's staff as incentives;
- (IV) shareholders who disagree with the resolutions for the merger or division of the Company passed at a general meeting request the Company to purchase their shares;
- (V) other circumstances permitted by the laws and administrative regulations.

**Amended Articles of the Articles
of Association**

Article 4.3 Under the following circumstances, the Company shall, by way of the procedure prescribed by these Articles, report to the relevant authority in China for approval to repurchase its shares in issue:

- (I) cancellation of shares for the purposes of reducing its capital;
- (II) merger with other companies that hold shares in the Company;
- (III) granting shares to the Company's staff as incentives;
- (IV) shareholders who disagree with the resolutions for the merger or division of the Company passed at a general meeting request the Company to purchase their shares;
- (V) other circumstances permitted by the laws and administrative regulations.

Other than the abovementioned circumstances, the Company may not purchase or sell its own shares.

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Article 4.4 the Company may, with the approval of the relevant authorities in China for repurchasing the shares, conduct the repurchase in one of the following manners:

- (I) Make a repurchase offer on a pro rata basis to all shareholders;
- (II) Repurchase through public dealing on a stock exchange;
- (III) Repurchase by an agreement outside the stock exchange.

Article 4.6 After the Company repurchases its own shares in accordance with Article 4.3, the shares so repurchased shall be cancelled within ten days from the date of repurchase under the circumstances set forth in sub-paragraph (I) of Article 4.3; the shares so repurchased shall be transferred or cancelled within six months in the circumstances set forth in sub-paragraphs (II) and (IV).

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of Association**

Article 4.4 the Company may, with the approval of the relevant authorities in China for repurchasing the shares, conduct the repurchase in one of the following manners:

- (I) Make a repurchase offer on a pro rata basis to all shareholders;
- (II) Repurchase through public dealing on a stock exchange;
- (III) Repurchase by an agreement outside the stock exchange;
- (IV) Adopt any other methods as authorized by the CSRC.

Article 4.6 **The Company repurchases its own shares for reasons referred to in sub-paragraphs (I) to (III) in Article 4.3 shall be resolved in a general meeting.** After the Company repurchases its own shares in accordance with Article 4.3, the shares so repurchased shall be cancelled within 10 days from the date of repurchase under the circumstances set forth in sub-paragraph (I) of Article 4.3; and shall be transferred or cancelled within six months in the circumstances set forth in sub-paragraphs (II) and (IV).

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Article 6.3 Share certificates of the Company shall be signed by its Chairman. Where the signatures of other senior officers of the Company are required by the stock exchange(s) on which the shares of the Company are listed, the share certificates shall also be signed by such other senior officers. The share certificate shall take effect upon affixing the securities seal of the Company thereon. The affixture of the seal of the Company on the share certificate shall be authorized by the board of directors. The signatures of Chairman or other relevant senior officers of the Company appearing on the share certificates may also be printed.

Article 6.9 No change shall be made in the register of shareholders as a result of a transfer of shares within 30 days prior to the date of a general meeting or within 5 days before the record date for the Company's distribution of dividends.

**Amended Articles of the Articles
of Association**

Article 6.3 Share certificates of the Company shall be signed by its Chairman. Where the signatures of other senior officers of the Company are required by the stock exchange(s) on which the shares of the Company are listed, the share certificates shall also be signed by such other senior officers. The share certificate shall take effect upon affixing the securities seal of the Company or affixing the seal in the form of printing thereon. The affixture of the seal of the Company on the share certificate shall be authorized by the board of directors. The signatures of Chairman or other relevant senior officers of the Company appearing on the share certificates may also be printed.

Should the Company's shares be issued and traded in a paperless manner, those stipulations from the securities regulatory and supervisory authorities at the place where such shares are listed shall be applied.

Article 6.9 No change shall be made in the register of shareholders as a result of a transfer of shares within 30 days prior to the date of a general meeting or within 5 days before the record date for the Company's distribution of dividends. **In case of a change of A shareholders' register, the laws and regulations of PRC shall apply.**

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Article 6.10 The Board shall decide a record date for the purpose of determining the rights attaching to shares of the Company when the Company holds a general meeting, distributes dividend, liquidates or engages in activities that require the determination of rights attaching to the shares of the Company. The shareholders of the Company shall be such persons who appear in the register as shareholders at the close of the record date.

Addition

**Amended Articles of the Articles
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Article 6.10 The Board or **the convener of a general meeting** shall decide a record date for the purpose of determining the rights attaching to shares of the Company when the Company holds a general meeting, distributes dividend, liquidates or engages in activities that require the determination of rights attaching to the shares of the Company. The shareholders of the Company shall be such persons who appear in the register as shareholders at the close of the record date.

Article 7.6 The controlling shareholders and de facto controllers of the Company shall not use their affiliation to jeopardize the interests of the Company; otherwise, they shall be liable for compensation for the loss incurred by the Company.

The controlling shareholders and de facto controllers of the Company shall have fiduciary duties towards the Company and other shareholders. The controlling shareholders shall exercise their rights of contributions in strict compliance with the laws. A controlling shareholder shall not infringe the legitimate rights and interests of the Company and its public shareholders through profit distribution, asset restructuring, foreign investment, appropriation of capital, offering security for loans, and shall not make use of their controlling status to jeopardize the interests of the Company and other shareholders.

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Addition

Article 7.8 If the contents of a resolution passed at the general meeting or Board meeting violates the laws or administrative regulations, the shareholders shall have the rights to file a petition to the People's Court to render the same invalid.

If the procedures for convening, or the method of voting at, a general meeting or Board meeting violate the laws, administrative regulations or this Articles of Association, or the contents of a resolution violate this Articles of Association, the shareholders shall, on their own, have the rights to request the People's Court to revoke such resolution within 60 days from the date on which such resolution is passed.

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Addition

Article 7.9 Where the Company incurs loss as a result of violation of the laws, administrative regulations or this Articles of Association by Directors and senior management members in the course of performing their duties, shareholders individually or jointly holding more than 1% of the shares for more than 180 consecutive days shall have the rights to request in writing Supervisory Committee to initiate legal proceedings in the People's Court. Where the Company incurs loss as a result of violation of laws, administrative regulations or this Articles of Association by Supervisory Committee in the course of performing its duties, the shareholders shall have the rights to request in writing to the Board to initiate legal proceedings in the People's Court.

If Supervisory Committee or the Board refuses to initiate legal proceedings upon receipt of the written request of shareholders stated in the aforesaid article, or fails to initiate such legal proceedings within 30 days from the date on which such request is received, or in case of emergency, where failure to initiate such proceedings immediately will result in irreparable damage to the Company's interests, the shareholders described in the aforesaid article shall have the rights to initiate legal proceedings in the People's Court directly in their own names for the interests of the Company.

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If any person infringes the lawful rights and interests of the Company, thus causing any losses to the Company, the shareholders as specified in the first clause of this Article may initiate legal proceedings in the People's Court in accordance with the provisions of the aforesaid two clauses.

If any Director or senior management member is in violation of laws, administrative regulations or this Articles of Association, thus causing any losses to the shareholders, the shareholders may initiate legal proceedings in the People's Court.

A holder of Shares carrying voting rights of more than 5% the Company, who pledges his/her/its shares, shall file a written report to the Company on the date upon the occurrence of the event.

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Article 8.2 Addition of one clause

The authority of the general meeting to approve in sub-paragraph (XVIII) of this Article is as follows:

Where the proposed related transaction between the Company and a related party meets one of the following criteria, such related transaction shall, in addition to be disclosed in a timely manner, be presented to the Board of Directors and the general meeting to approve:

- (1) The material related transaction with an amount of more than \$30 million, representing more than 5% of the absolute value of the latest audited net assets of the Company (other than the guarantee provided by the Company, cash assets accepted as gifts, and relief of debts solely for the obligation of the Company. For material related transaction proposed by the Company, the audit or assessment report issued by securities institution with qualification of engaging securities and futures related business in respect of the subject of the transaction shall be provided. In the event that the subject involved in the related transaction relates to the ordinary operations as required by SFC and a stock exchange, it may not conduct the audit or assessment;

- (2) The Company provides guarantee for the related parties.

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Article 8.3 Provision of external guarantee (provision of bank loans guarantee by the Company for the Company and/or its holding subsidiaries is not included) by the Company as set forth below must be approved by a general meeting:

- (I) provision of any guarantee after the total amount of the external guarantee provided by the Company and its subsidiaries reaches or exceeds 50% of the latest audited net assets;
- (II) provision of any guarantee after the total amount of the external guarantee provided by the Company reaches or exceeds 30% of the latest audited total assets;
- (III) provision of any guarantee to a guaranteed subject which has a debt-equity ratio exceeding 70%;
- (IV) provision of any single guarantee in which the amount exceeds 10% of the latest audited net assets;
- (V) provision of any guarantee to the shareholders, de facto controllers and their related parties;

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Article 8.3 Provision of external guarantee by the Company as set forth below must be approved in a general meeting:

- (I) provision of any guarantee beyond the total external guarantee provided by the Company and its holding subsidiaries reaches or exceeds 50% of the latest audited net assets;
- (II) provision of any guarantee beyond the total external guarantee provided by the Company reaches or exceeds 30% of the latest audited total assets;
- (III) provision of any guarantee to a guaranteed subject with a gearing ratio of over 70%;
- (IV) provision of any single guarantee with the amount exceeding 10% of the latest audited net assets;
- (V) provision of any guarantee to the shareholders, de facto controllers and their related parties;

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(VI) any other guarantee required to be approved by the general meeting according to the requirement of the stock exchange on which the Company's shares listed or the Articles of Association of the Company.

When the general meeting is considering a motion to provide guarantee for any shareholder, de facto controllers or their respective related parties, the said shareholder or the shareholders controlled by the said de facto controllers shall be abstained from voting on the motion, and the approval of such motion shall be subject to more than half of the voting rights of the other attending shareholders.

Save for the aforesaid circumstances, approval of other external guarantee including bank loans guarantee provided by the Company for the Company and/or its holding subsidiaries, is authorised to the Board.

Article 8.4 The Company shall not, without prior approval by general meeting, enter into any contract with any person (other than the Directors, supervisors and other senior officers) pursuant to which the management of all or any substantial part of the business of the Company are delegated to such person.

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(VI) any other guarantee required to be approved by the general meeting according to the requirement of the stock exchange on which the Company's shares listed or the Articles of Association of the Company.

When the general meeting is considering a motion to provide guarantee for any shareholder, de facto controllers or their respective related parties, the said shareholder or the shareholders controlled by the said de facto controller shall be abstained from voting on the motion, and the approval of such motion shall be subject to more than half of the voting rights of the other attending shareholders.

Save for the aforesaid circumstances, approval of other external guarantee including bank loans guarantee provided by the Company for the Company and/or its holding subsidiaries, is authorised to the Board.

Article 8.4 **Unless the Company is under crisis or other special circumstances**, the Company shall not, without a prior approval by **special meeting**, enter into any contract with any person (other than the directors, supervisors and senior management members), pursuant to which the management of all or any substantial part of the business of the Company are delegated to such person.

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Addition

Article 8.7 A venue shall be set for the general meeting which shall be convened on-site. The Company will also facilitate shareholders in the general meeting by providing network or other means as recognized or requested by a securities regulatory authority. Any shareholders so participate in the general meeting shall be deemed as present.

Addition

Article 8.8 The Company, when convening a general meeting, shall engage lawyers to provide legal opinions on the followings, and announce:

- (I) whether the convening and the convening procedures of the meeting are in compliance with the laws, administrative regulations and these Articles;
- (II) whether the qualifications of the personnels attending the meeting and the qualification of the convener are lawful and valid;
- (III) whether the voting procedures and the voting results are lawful and valid;
- (IV) the legal opinions in respect of other relevant matters at the request of the Company.

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Addition

Article 8.9 Independent directors shall have the right to propose to the Board of Directors to convene an extraordinary general meeting. For such proposal by independent directors to convene an extraordinary general meeting, the Board of Directors shall deliver a written reply stating its agreement or disagreement for convening such extraordinary general meeting within 10 days of receipt of the proposal, in accordance with the laws, administrative regulations and these Articles. In the event that the Board of Directors agrees to convene the extraordinary general meeting, it shall issue a notice of convening the extraordinary general meeting within 5 days from formulating the resolution by the Board of Directors. Should the Board of Directors disagrees to convene the extraordinary general meeting, it shall state the reasons and make an announcement.

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Article 8.10 The Supervisory Committee shall have the right to propose to the Board of Directors to convene an extraordinary general meeting and such proposal shall be made in writing. The Board of Directors shall deliver a written reply stating its agreement or disagreement for convening such extraordinary general meeting within 10 days upon receipt of the proposal, in accordance with the laws, administrative regulations and these Articles.

In the event that the Board of Directors agrees to convene an extraordinary general meeting, it shall issue a notice of convening the extraordinary general meeting within 5 days from formulating the resolution by the Board of Directors. Should any changes have been made to the original proposal in such notice, consent is required to be obtained from Supervisory Committee.

In the event that the Board of Directors disagrees to convene the extraordinary general meeting, or it fails to make a reply within 10 days from receipt of such proposal, the Board of Directors is deemed to be unable to perform or will not perform the duties for convening the extraordinary general meeting. Supervisory Committee may then convene and chair the extraordinary general meeting at its discretion.

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Addition

Article 8.11 Shareholders individually or jointly holding more than 10% of the Company's shares are entitled to request the Board of Directors to convene an extraordinary general meeting and such proposal shall be made in writing. The Board of Directors shall deliver a written reply stating its agreement or disagreement for convening such extraordinary general meeting within 10 days of receipt of the proposal, in accordance with the laws, administrative regulations and these Articles.

If the Board of Directors agrees to convene an extraordinary general meeting, it will issue a notice for the meeting within 5 days from formulating the resolution by the Board of Directors. Any changes to the original request in the notice shall be subject to the agreement of relevant shareholders.

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If the Board of Directors does not agree to convene the extraordinary general meeting, or does not make a reply within 10 days upon the receipt of such request, the shareholders individually or jointly holding more than 10% of the shares are entitled to request Supervisory Committee to convene an extraordinary general meeting and such proposal shall be made in writing.

In the event that Supervisory Committee agrees to convene an extraordinary general meeting, Supervisory Committee shall deliver a notice for convening such extraordinary general meeting within 5 days from receipt of such written request. Should any changes have been made to the original request in the notice, consent is required to be obtained from the relevant shareholders.

Should Supervisory Committee fail to deliver the notice for convening an extraordinary general meeting within the stipulated period, it shall be deemed to not convene and chair such extraordinary general meeting, and the shareholders who individually or jointly hold more than 10% of the shares for a consecutive period of more than 90 days may convene and chair such meeting on their own.

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Addition

Article 8.12 In the event that Supervisory Committee or shareholders decide to convene a shareholders' meeting on their own, they should notify the Board of Directors in writing, and shall simultaneously file with the organisation designated by the CSRC and the stock exchange of the place where the Company is situated.

The shareholding proportion of the convening shareholders may not be less than 10% prior to making the resolution announcement of the general meeting.

The convening shareholders shall provide relevant supporting materials to the organisation designated by the CSRC and the stock exchange of the place where the Company is situated at the time of despatching the notice for and announcing the resolutions of the shareholders' meeting.

When Supervisory Committee or shareholders convene a general meeting on their own, the Board of Directors and the Board secretary shall provide assistance. The Board of Directors shall provide the register of members as at the Record Date.

Addition

Article 8.13 The costs incurred for the general meeting convened by Supervisory Committee or the shareholders on their own shall be borne by the Company.

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Article 8.7 When the Company convenes an annual general meeting, shareholders holding 3% or more of the Company's shares with voting rights have the right to put forward new proposal(s) in writing to the Company, and the Company shall include such proposal(s) into the agenda for such general meeting if they are matters falls within the functions and powers of general meeting.

The shareholders solely or aggregately holding more than 3% of the Company's shares may make an interim draft resolution to the convener in writing 10 days before the convening of the general meeting. The convener shall, within 2 days after the receipt of the draft resolution, issue a supplementary notice of general meeting and announce the content of such interim draft resolution.

**Amended Articles of the Articles
of Association**

Article 8.14 When the Company convenes an annual general meeting, **the Board of Directors, Supervisory Committee and** shareholders **individually or in aggregate** holding 3% or more of the Company's shares with voting rights have the right to put forward new proposal(s) in writing to the Company, and the Company shall include such proposal(s) into the agenda for such general meeting if they are matters falls within the functions and powers of general meeting.

The shareholders solely or aggregately holding more than 3% of the Company's shares may make an interim draft resolution to the convener in writing 10 days before the convening of the general meeting. The convener shall, within 2 days after the receipt of the draft resolution, issue a supplementary notice of general meeting and announce the content of such interim draft resolution.

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Other than the circumstances stipulated in the aforesaid article, resolution listed in the notice of the general meeting shall not be altered and new resolution shall not be added following the issuance of the announcement of the notice of the general meeting by the convener.

The contents of a resolution shall fall within the functions and powers of the general meeting, have definite subject and specific matters for resolution, as well as comply with the laws, administrative regulations and these Articles.

The resolutions that are not specified in the notice of the general meeting or not complying with the aforesaid article shall not be put forward for voting and resolved at the general meeting.

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Article 8.9 Any notice of a general meeting shall comply with the following requirements:

- (I) be in writing;
- (II) specify the place, the date and time of the meeting;
- (III) state the matters and proposals to be examined and approved at the meeting;
- (IV) provide such information and explanation as necessary for the shareholders to make an informed decision on the proposals put before them. This principle includes (but is not limited to), where a proposal is made to merge the Company with another, to repurchase shares, to reorganise the share capital, or to restructure the Company in any other way, the terms of the proposed transaction must be provided in detail together with copies of the proposed agreement, if any, and the cause and effect of such proposal must be properly explained;
- (V) contain a disclosure of the nature and extent of any material interests of any director, supervisor and senior management officer in the proposed transaction and provide an explanation of the differences between the effect of the proposed transaction on them in their capacity as shareholders and the effect on the shareholders of the same class;

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Article 8.16 Any notice of a general meeting shall comply with the following requirements:

- (I) be in writing;
- (II) specify the place, the date and time of the meeting;
- (III) state the matters and proposals to be examined and approved at the meeting;
- (IV) provide such information and explanation as necessary for the shareholders to make an informed decision on the proposals put before them. This principle includes the situation that (but is not limited to), where a proposal is made to merge the Company with another, to repurchase shares, to reorganise the share capital, or to restructure the Company in any other way, the terms of the proposed transaction must be provided in detail together with copies of the proposed agreement, if any, and the cause and effect of such proposal must be properly explained;
- (V) if any director, supervisor and senior management member has material conflict of interests in a resolution to be discussed, the nature and extent of the material interests involved shall be disclosed. If the resolution to be discussed has an effect to such director, supervisor and senior management member being a shareholder, and such effect is different from that to other shareholders of the same class, such difference shall be explained;

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- (VI) contain the full text of any special resolution to be proposed at the meeting;
- (VII) contain a conspicuous statement that a shareholder entitled to attend and vote is entitled to appoint one or more proxies to attend and vote at the meeting on his behalf and that such proxy need not be a shareholder;
- (VIII) specify the time and place for lodging proxy forms for the relevant meeting.

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- (VI) contain the full text of any special resolution to be proposed at the meeting;
- (VII) contain a conspicuous statement that **any ordinary shareholder (including shareholders of preference shares with voting rights stored)** entitled to attend and vote is entitled to appoint one or more proxies to attend and vote at the meeting on his behalf and that such proxy need not be a shareholder;
- (VIII) specify the time and place for lodging proxy forms for the relevant meeting;
- (IX) **all shareholders of ordinary shares (including shareholders of preference shares with voting rights restored);**
- (X) **state the name and telephone number of the contact person for the meeting.**

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Article 8.17 The notice and supplementary notice of a general meeting shall fully and completely disclose all detailed contents of all resolutions. For matters to be discussed that require opinions from the independent directors, the notice or supplementary notice of the general meeting shall at the same time disclose the opinions of the independent directors and their reasons.

Where the general meeting is held by way of the internet or any other manner, the notice of general meeting shall clearly state the time and procedure of voting by way of the internet or any other manner. The time to start voting at a general meeting held by way of network or by other means shall not be earlier than 3:00PM on the day preceding the date of the physical general meeting or later than 9:30AM on the date of the general meeting, and shall not conclude earlier than 3:00PM on the date of the general meeting.

The interval between the Record Date and the date of the meeting shall not be more than 7 working days. Once the Record Date is confirmed, no change shall be made.

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Article 8.18 In the event that the election of directors and supervisors is to be discussed at a general meeting, the notice of the general meeting shall fully disclose the detailed information of candidates for the directors and supervisors, and shall at least include the following particulars:

- (I) personal profile including educational background, work experiences and part-time jobs;
- (II) whether there is connected relationship with the Company or the Company's controlling shareholders and de facto controllers;
- (III) disclose the number of shares of the Company being held;
- (IV) whether they have received penalty from the CSRC and other relevant departments, and been warned by the Stock Exchange.

Save for the cumulative voting system adopted to elect directors and supervisors, a separate proposal shall be put forward in respect of each of the candidates for directors and supervisors.

Addition

Article 8.20 After a notice of general meeting is given, the general meeting shall not be postponed or cancelled, and the resolutions set out in the notice of general meeting shall not be cancelled, without a proper reason. Once the meeting is postponed or cancelled, the convener shall make an announcement and explain the reasons at least 2 working days prior to the scheduled meeting date.

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Article 8.21 The Board of Directors of the Company and other conveners shall take necessary measures to ensure the normal order of a general meeting. Measures shall be taken to prevent any behaviors that will interrupt the meeting, disturbing and violating the legitimate rights and interests of shareholders, and promptly report the same to the relevant departments for investigation.

Addition

Article 8.22 All shareholders of ordinary shares (including shareholders of preference shares with voting rights restored) or their proxies who have registered in the register on the Record Date shall have the right to attend general meetings and exercise the rights to vote in accordance with relevant laws, administrative regulations and these Articles.

Shareholders may attend a general meeting in person or may appoint a proxy to attend and vote on their behalf.

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Article 8.25 When an individual shareholder attends a general meeting in person, he/she shall produce his/her own identity card or other valid documents or proof capable of identifying himself/herself, and the stock account card. In the event that a proxy is appointed to attend the meeting, he/she shall produce his/her own valid identity documents and the power of attorney from the shareholder.

For a corporate shareholder, its legal representative or the proxy appointed by such legal representative shall attend the meeting. In the event that the legal representative attends the meeting, he/she shall produce his/her identity card or valid proof capable of proving that he/she has the status of a legal representative. In the event that the appointed proxy attends the meeting, the proxy shall produce his/her identity card and the written power of attorney issued by the legal representative of the corporate shareholder according to law.

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Article 8.29 In the event that the proxy forms are signed by other persons authorized by the principals, the letter of authority authorizing the signatures or other authority shall be notarized. The notarized letter of authority or other authority together with the proxy forms shall be made available at the Company's domicile or elsewhere specified in the notice convening the meeting.

In the case that the principal is a legal entity, it shall be represented by its legal representative or Board of Directors, or other persons authorized by the resolution of decision-making bodies at the general meeting of the Company.

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Article 8.30 The Company shall be responsible for the preparation of the meeting attendance register.

The meeting attendance register shall contain the name of the personnel attending the meeting (or the name of entity), identity card number and home address, the number of voting shares held or represented the names of principal (or name of entity), etc.

Addition

Article 8.31 The convener and the lawyers engaged by the Company shall jointly verify the legitimacy of the qualifications of shareholders based on the register of shareholders provided by the securities registration and clearing authority, and record the names of shareholders and the number of voting shares held by them. The registration of the meeting shall end when the chairman of the meeting announces the number of shareholders and proxies physically present at the meeting as well as the total number of voting shares held.

During a general meeting, all Directors, supervisors and the Board secretary of the Company shall attend the meeting. The manager and other senior management members shall attend the meeting.

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Article 8.32 A general meeting shall be chaired by the Chairman. In the event that the Chairman is unable to or fails to perform his/her duties, the Vice-Chairman (if the company has two or more Vice Chairmen, the meeting shall be chaired by the Vice Chairman nominated by more than half of the directors) shall chair the meeting. In the event that the Vice-Chairman is also unable to or fails to perform his/her duties, a director jointly elected by more than half of the directors shall chair the meeting.

A general meeting convened by Supervisory Committee on its own shall be chaired by the chairman of Supervisory Committee. In the event that the chairman is unable to or fails to perform his duties, the vice-chairman of Supervisory Committee shall chair the meeting. In the event that the vice-chairman is unable to or fails to perform his duties, a supervisor jointly elected by more than half of the supervisors of the Company shall chair the meeting.

A general meeting convened by shareholders on their own shall be chaired by a representative elected by the convener.

During a general meeting, in the event that the chairman of the meeting violates the Rules of Procedure, such that the general meeting cannot proceed, a person may be elected as the chairman of the meeting to proceed with the meeting with the consent of the shareholders with a majority of the voting rights present at the meeting.

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Article 8.33 The Company shall formulate the Rules of Procedure of general meeting, which shall specify in detail the convening and voting procedures of the general meeting, including notice, registration, approval of resolutions, voting, votes counting, announcement of voting results, formation of meeting resolutions, minutes of the meeting and the signatures, announcement, etc., as well as the principles of authorization granted by the general meeting to the Board of Directors. The content of authorization shall be clear and concrete. The Rules of Procedure of the general meeting shall be drafted by the Board of Directors and approved by the general meeting and shall be attached as an appendix to these Articles.

Addition

Article 8.34 At an annual general meeting, the Board of Directors and Supervisory Committee shall report their work over the past year at the meeting. Each of the independent directors shall also make their own work report.

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Article 8.35 Directors, supervisors and senior management members shall explain and elaborate the questions and suggestions made by shareholders at a general meeting.

Addition

Article 8.36 The chairman of a meeting shall announce, before voting takes place, the number of shareholders and proxies physically present at the meeting as well as the total number of voting shares held by them. The number of shareholders and proxies physically present at the meeting as well as the total number of voting shares held by them shall be based on the registration at the meeting.

Minutes shall be prepared for a general meeting by the Board Secretary.

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The minutes of a meeting shall record the following particulars:

- (I) the time, venue, agenda, and name of the convener of the meeting;
- (II) the chairman of the meeting and the directors, supervisors, managers and other senior management members attending or present in the meeting;
- (III) the number of shareholders and proxies attending a general meeting, the total number of voting shares held and their respective percentages of total number of shares of the Company;
- (IV) the process of considering for each resolution, highlights of conversations, and voting results;
- (V) questions, comments or suggestions by shareholders, and the corresponding replies or explanations thereof;
- (VI) the name of the lawyers, vote counters and scrutineers;
- (VII) other particulars that shall be entered into the meeting minutes as required under these Articles.

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Article 8.37 A convener shall ensure that a general meeting shall be held continuously until a final resolution is formed. In the event that a general meeting is suspended or no resolutions can be made thereat due to special circumstances such as force majeure, the convener shall take necessary measures to resume the meeting as soon as possible or directly terminate the meeting, and make an announcement in a timely manner. Meanwhile, the convener shall report to the resident agency of CSRC of the place where the Company is situated and the stock exchange.

Article 8.17 In the case of voting at general meetings, shareholders (including their proxies) may exercise their voting rights in accordance with the number of their voting shares. Each share shall have one vote.

Article 8.39 In the case of voting at general meetings, shareholders (including their proxies) may exercise their voting rights in accordance with the number of their voting shares. Each share shall have one vote.

When significant matters that have an impact on the interests of small and medium investors are considered in the general meeting, votes shall be counted separately in respect of the small and medium investors' voting. The results of the individually counted votes shall be disclosed to public in a timely manner.

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The shares of the Company held by it carry no voting rights and such part of shares shall not be counted towards the total number of shares carrying voting rights at the general meeting.

The Board of Directors, independent directors, and shareholders satisfying relevant requirements may solicit voting rights of the shareholders. In soliciting voting rights from the shareholders, information including the specific voting intention shall be fully disclosed to the persons whose voting rights are being solicited. Soliciting voting rights of the shareholders on a paid basis or paid basis in disguised form is prohibited. In soliciting voting rights, the Company shall not impose minimum shareholding proportion requirement.

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Article 8.40 When a related transaction is considered at the general meeting, the connected shareholder shall not participate in voting. The voting shares represented by them shall not be counted towards the total number of shares validly voted. The voting of uninterested shareholders shall be disclosed fully in the announcement on the resolutions of a general meeting.

Article 8.41 The Company shall, on the premise of ensuring the lawfulness and validity of the general meeting, facilitate the shareholders in attending the general meeting by adopting various methods and channels including the provision of up-to-date information technology measures such as online voting platforms.

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Article 8.45 Shareholders present at a general meeting shall express one of the following opinions on a resolution put forward for voting: being in favour of, against, or abstaining from voting, except for the securities registration and settlement institutions which, being the nominal holders of shares subject to the interconnection mechanism of the Mainland and Hong Kong stock market transactions, make declaration according to the intentions of de facto holders.

Uncompleted paper ballots, wrongly completed paper ballots, paper ballots with illegible characters and uncast paper ballots shall be deemed as abstaining of voting rights by voters. The voting results of the shares they hold shall be counted as “abstained”.

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Article 8.22 The following matters shall be approved by ordinary resolution at the general meeting:

- (I) work reports of the Board of Directors and Supervisory Committee;
- (II) plans of profit distribution and loss make-up schemes drafted by the Board of Directors;
- (III) dismissal of the members of the Board of Directors and the members of Supervisory Committee who are not assumed by staff representatives, their remuneration and payment methods;
- (IV) annual budget/final account report, balance sheet, income statement and other financial statements of the Company;
- (V) such other matters other than those specified by the laws, administrative regulations or these Articles shall be resolved by special resolutions.

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Article 8.47 The following matters shall be approved by ordinary resolution at the general meeting:

- (I) work reports of the Board of Directors and Supervisory Committee;
- (II) plans of profit distribution and loss make-up schemes drafted by the Board of Directors;
- (III) dismissal of the members of the Board of Directors and the members of Supervisory Committee who are not assumed by staff representatives, their remuneration and payment methods;
- (IV) annual budget/final account report, balance sheet, income statement and other financial statements of the Company;
- (V) the Company's annual report;
- (VI) such matters other than those specified by the laws, administrative regulations or these Articles shall be resolved by special resolutions.

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Article 8.23 The following matters shall be approved by a special resolution at a general meeting:

- (I) increase/decrease of the share capital of the Company and issuance of any type of shares, warrants and other similar securities;
- (II) issuance of bonds of the Company;
- (III) division, merger, dissolution and liquidation of the Company and the change of form of the Company;
- (IV) amendments to these Articles;
- (V) other matters as required by the laws, administrative regulations or the Articles of Association shall be approved by special resolution, and as approved by ordinary resolution of the general meeting which are believed could materially affect the Company and shall be approved by special resolution.

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Article 8.48 The following matters shall be approved by a special resolution at a general meeting:

- (I) increase/decrease of the share capital of the Company and issuance of any type of shares, warrants and other similar securities;
- (II) issuance of corporate bonds;
- (III) division, merger, dissolution and liquidation of the Company and the change of form of the Company;
- (IV) amendments to these Articles;
- (V) **the Company's purchase or sale of material assets or a guaranteed amount in excess of 30% of the latest audited total assets of the Company;**
- (VI) share incentive scheme;
- (VII) other matters as required by the laws, administrative regulations or these Articles shall be approved by a special resolution, and as approved by ordinary resolution of the general meeting which are believed could materially affect the Company and shall be approved by a special resolution.

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Article 8.25 A general meeting shall be convened and presided over by the Chairman; where the Chairman is unable to attend the meeting for any reason, the meeting shall be convened and presided over by the Vice-Chairman; where both the chairman and vice chairman are unable to attend the meeting, the Board may appoint a director of the Company to convene and preside over the meeting on his/her behalf; where no chairman of the meeting is appointed, the shareholders present at the meeting may elect one person to be the chairman; if for any reason, the shareholders are unable to elect a chairman, the shareholder (including proxy of the shareholder) holding the largest number of voting shares present at the meeting shall preside over the meeting.

Deleted

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Article 8.27 A proposal listing candidates for directors and supervisors shall be submitted to the general meeting for a vote.

When voting on the election of directors and supervisors, the general meeting may implement accumulative voting system according to the Articles of Association or the resolution of the general meeting.

Accumulative voting system referred to in the preceding paragraph means a system whereby each share, in an election of directors or supervisors at a general meeting, carries the number of voting rights equivalent to the number of the directors or supervisors to be elected, and a shareholder may concentrate his/her voting rights. The Board shall make available to the shareholders the biographies and general information of the candidates for directors and supervisors.

Other than the accumulative voting system, the general meeting shall vote on all proposals presented one by one. In the case where different proposals are made on the same matter, votes shall be cast in accordance with the sequence of the proposals presented.

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Article 8.51 A proposal listing candidates for directors and supervisors shall be submitted to the general meeting for a vote.

When voting on the election of directors and supervisors, the general meeting may implement accumulative voting system according to the Articles of Association or the resolution of the general meeting.

Accumulative voting system referred to in the preceding paragraph means a system whereby each share, in an election of directors or supervisors at a general meeting, carries the number of voting rights equivalent to the number of the directors or supervisors to be elected, and a shareholder may concentrate his/her voting rights. The Board shall make available to the shareholders the biographies and general information of the candidates for directors and supervisors.

Other than the accumulative voting system, the general meeting shall vote on all proposals presented one by one. In the case where different proposals are made on the same matter, votes shall be cast in accordance with the sequence of the proposals presented.

Save for the special circumstances such as force majeure, which would lead to termination of the general meeting or inability to make resolutions at the general meeting, the general meeting shall not set aside the resolutions being put forward and leave the resolutions undecided.

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Article 8.28 At a general meeting, the approach and procedures for nomination of candidates for directors and supervisors are as follows:

- (I) shareholder(s) severally or jointly holding more than 3% of the total outstanding issued shares with voting rights of the Company may, by way of a written proposal, put forward to the general meeting about the candidates for directors and supervisors (not being staff representatives). However, the number of candidates proposed shall comply with the provisions of the Articles of Association, and shall not exceed the number of the candidates to be elected. The aforesaid proposal put forward by shareholders to the Company should be served to the Company at least 14 days before the convening of the general meeting.

- (II) within the number of head count as specified by these Articles and based on the proposed number of candidates to be elected, the Board and Supervisory Committee may propose a list of recommended candidates for directors and supervisors, and submit the same to the Board and Supervisory Committee respectively for their reviews. The list of candidates for directors and supervisors should be proposed at a general meeting by way of a written proposal upon reviewed and approved by the Board and Supervisory Committee.

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Article 8.52 At a general meeting, the approach and procedures for nomination of candidates for directors and supervisors are as follows:

- (I) shareholder(s) severally or jointly holding more than 3% of the total outstanding issued shares with voting rights of the Company may, by way of a written proposal, put forward to the general meeting about the candidates for directors and supervisors (not being staff representatives). However, the number of candidates proposed shall comply with the provisions of the Articles of Association, and shall not exceed the number of the candidates to be elected. The aforesaid proposal put forward by shareholders to the Company should be served to the Company at least 14 days before the convening of the general meeting.

- (II) within the number of head count as specified by these Articles and based on the proposed number of candidates to be elected, the Board and Supervisory Committee may propose a list of recommended candidates for directors and supervisors, and submit the same to the Board and Supervisory Committee respectively for their reviews. The list of candidates for directors and supervisors should be proposed at a general meeting by way of a written proposal upon reviewed and approved by the Board and Supervisory Committee.

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- (III) the written materials of the intention to propose a candidate for election as a director or a supervisor, the acceptance of such candidate of his willingness to be nominated and relevant written materials on the nominated candidate shall be given to the Company no less than 7 days prior to the date of holding the general meeting. The Board and Supervisory Committee shall provide shareholders with biographical details and basic information of the candidates for directors and supervisors.
- (IV) the period accorded by the Company for the nominators and candidates to submit the aforementioned notices and documents (such period shall start from the day immediately following the date of issuance of the notice of the general meeting) shall be not less than 7 days.

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- (III) the written materials of the intention to propose a candidate for election as a director or a supervisor, the acceptance of such candidate of his willingness to be nominated and relevant written materials on the nominated candidate shall be given to the Company not less than 7 days prior to the date of holding the general meeting. The Board and Supervisory Committee shall provide shareholders with biographical details and basic information of the candidates for directors and supervisors.
- (IV) the period accorded by the Company for the nominators and candidates to submit the aforementioned notices and documents (such period shall start from the day immediately following the date of issuance of the notice of the general meeting) shall be not less than 7 days.

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- (V) at the general meeting, voting for each candidate for a director and supervisor shall be taken on a one-by-one basis.
- (VI) in the case of any need of addition to or replacement in any director or supervisor, the Board or Supervisory Committee shall be responsible for putting forward a proposal to the general meeting to elect or replace the same.

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- (V) at the general meeting, voting for each candidate for a director and supervisor shall be taken on a one-by-one basis.
- (VI) in the case of any need of addition to or replacement in any director or supervisor, the Board or Supervisory Committee shall be responsible for putting forward a proposal to the general meeting to elect or replace the same.
- (VII) For the resolutions in relation to election of directors and supervisors being passed at a general meeting, the term of office of new directors and supervisors shall take effect from the date of approval of the resolution in relation to their election put forward at the general meeting.**

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Addition

Article 8.53 Apart from the cumulative voting system, all resolutions shall be voted individually at the general meeting. If there are different resolutions for the same matter, they will be voted in the chronological order of the resolutions being put forward. Save for special circumstances such as force majeure, which would lead to the termination of the general meeting or inability to make resolutions at the general meeting, the general meeting shall not set aside the resolutions being put forward and leave the resolutions undecided.

Addition

Article 8.54 No amendment shall be made on the resolutions being considered at a general meeting. Otherwise, any such amendments to a resolution shall be deemed as a new resolution and shall not be voted at the current general meeting.

Addition

Article 8.55 The same voting right shall only be selected among one of the voting methods: voting on-site, voting online or other voting methods. Only the first voting result shall be deemed as valid in case of multiple voting of the same voting right.

Addition

Article 8.56 Voting at the general meeting shall be taken by way of registered poll.

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Addition

Article 8.57 Before voting for a resolution at a general meeting, two representatives shall be elected from the shareholders as vote counters and scrutineers. Any shareholder who is interested in the matter being considered, the relevant shareholder and the proxy shall not participate in such vote counting or scrutinizing.

During voting on the matters, lawyers, the representatives from shareholders and the representatives from supervisors shall be jointly responsible for votes counting and scrutinizing, and the voting result will be announced on-site. The voting results will be recorded in the minutes of meeting.

Shareholders of the Company or their proxies who cast votes through network or other voting means shall be entitled to review their own voting result through the relevant voting system.

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Addition

Article 8.58 The on-site voting shall not end earlier than the network voting or any other voting methods at the general meeting. The chairman of the meeting shall announce details of voting in connection with each proposed resolution, the voting result and whether the proposed resolution is passed in accordance with the voting result.

Before the formal announcement of the voting result, the related parties including companies, votes counters, scrutineers, substantial shareholders and network service providers involved in the meeting through on-site voting, network voting or other voting methods, shall bear the obligation of confidentiality in respect of the voting.

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Addition

Article 8.59 An announcement in respect of the resolutions passed at the general meeting shall be announced in a timely manner. Such announcement shall contain information about the number of shareholders and proxies attending the meeting, the total number of shares in respect of the voting rights being held and the ratio of the total number of shares with voting rights, voting methods, and the voting result of each resolution, and the particulars of each resolution passed.

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Addition

Article 8.60 If a resolution is not passed or a resolution from a preceding general meeting has been altered in the current one, a special reminder shall be made in the announcement of the resolutions of the general meeting.

Addition

Article 8.61 If a resolution in relation to cash distribution, bonus shares or transfer of capital reserves to share capital is passed in the general meeting, the Company shall implement the specific plans within 2 months from the conclusion of the general meeting

Article 8.30 If a vote recount is conducted at a general meeting, the result thereof shall be recorded in the minutes of the meeting.

Article 8.63 If a vote recount is conducted at a general meeting, the result thereof shall be recorded in the minutes of the meeting.

The general meeting shall keep minutes of its decisions on the matters considered. Directors attending the meeting shall sign their names on the minutes of the meeting.

The convener shall ensure that the contents of the minutes are true, accurate and complete. Resolved matters which are discussed at the general meeting shall be recorded in the minutes of the meeting and signed by the directors, **supervisors, Board secretary, the convener or his/her representatives and the chairman of the meeting**, who attend the meeting.

The minutes of meeting together with the attendance register of the attending shareholders and the power of attorney of their proxies shall be kept at the domicile of the Company.

Minutes of the meeting together with the signature book of the shareholders attending the meeting and proxy forms shall be kept at the domicile of the Company **for a term not less than 10 years.**

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Addition

Article 10.1 If a director violates laws, administrative regulations, department rules or other requirement under these Articles when performing his/her duties of the Company and so causes losses to the Company, he/she shall be liable for compensation.

Addition

Article 10.2 The independent directors shall conduct their duties according to the relevant requirement of the laws, administrative regulations and department rules.

Article 10.1 The Company shall establish a Board, which shall be accountable to and report to the general meeting. The Board shall consist of not less than eight Directors, of which the external Directors (hereinafter referred to directors who do not hold any office within the Company) shall represent not less than 50 percent of the members of the Board of Directors. Independent non-executive Directors (hereinafter referred to directors who are independent to the shareholders and do not hold any office within the Company) shall represent at least one-third of the members of the Board of Directors.

Article 10.3 The Company shall establish a Board of Directors, which shall be accountable to and report to the general meeting. The Board of Directors shall consist of **seven** Directors. External Directors (hereinafter referred to directors who do not hold any office within the Company) shall represent more than half of **the members of the Board of Directors of which, there shall be three independent non-executive directors (hereinafter referred to directors who are independent to the shareholders of the Company and do not hold any office within the Company).**

The Board of Directors shall have one chairman and one vice chairman.

The Board of Directors shall have one Chairman, **and may have one Vice Chairman. The Chairman and the Vice Chairman shall be elected by more than half of all directors in the Board of Directors.**

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The term of office of a director shall run from the date he/she assumes office to the date of expiry of the term of office of the current Board of Directors. If the term of office of a director expires but a re-election is not conducted in a timely manner, the said director shall continue to fulfill the duties as director pursuant to relevant laws, administrative regulations, department regulations and these Articles until a new director is elected.

The general manager or other senior management members may concurrently serve as a Director, provided that the aggregate number of the Directors who concurrently serve as general manager or other senior management members shall not exceed one half of all the Directors of the Company.

Addition

Article 10.5 If a director fails to attend a Board meeting in person on two occasions consecutively and fails to appoint another director to attend the Board meeting, such situation shall be deemed as a failure to discharge his duties. The Board shall propose to remove such director at the general meeting.

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Addition

Article 10.6 A director may resign prior to the expiry of his tenure. The resigning director shall tender his/her written report of resignation to the Board. The Board shall disclose such resignation within 2 days.

In the event the number of directors of the Company is less than the quorum of the Board as a result of the resignation of any director, the said director shall continue to fulfill the duties as a director pursuant to relevant laws, administrative regulations, department regulations and these Articles until a new elected director assumes his/her office.

Saved for the aforesaid, the resignation of a director shall take effect when the report of resignation has been served on the Board of Directors.

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Addition

Article 10.7 A director shall complete all of the handover procedures with the Board of Directors once his/her resignation becomes effective or his/ her office term expires. The obligations of loyalty to the Company or the shareholders are not necessarily released upon expiry of his/her tenure. The obligation to keep the commercial secrets of the Company confidential shall remain effective after the expiry of his/her tenure until such secret becomes public information. Other obligations may continue for such a period as fairness may require and depending on the time which has elapsed between the termination and the act concerned and the circumstances under which the relationship with the Company is terminated.

Addition

Article 10.8 No directors shall act, in their personal capacity, on behalf of the Company or the Board of Directors in contravention of provisions of these Articles or without appropriate authorization by the Board of Directors. A director shall, when acting in his/her personal capacity, state his/her standings and identities in advance if a third party has reasons to believe that the said director is acting on behalf of the Company or the Board of Directors.

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Addition to Article 10.9

Under the sub-paragraph (XVI) of this Article, the approving authority of the Board of Directors in respect of the related transactions set out as follows:

- (1) A related transaction with a transaction amount of over \$300,000 proposed to be entered into between the Company and a connected natural person (except for those guaranteed by the Company) shall be disclosed in a timely manner and submitted for approval by the Board of Directors.
- (2) A related transaction with a transaction amount of over \$3 million representing more than 0.5% of the absolute value of the latest audited net assets of the Company (except for the guarantee provided by the Company) proposed to be entered into between the Company and a connected legal person shall be disclosed in a timely manner and submitted for approval by the Board of Directors.

Save for the aforesaid, they shall be approved by the general manager and submitted to the Board of Directors for record.

Addition

Article 10.10 The Board of Directors shall give explanations at a general meeting on the non-standardized audit opinions issued by a certified public accountants in respect of the financial reports of the Company.

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Addition

Article 10.11 The Board of Directors shall formulate the Rules of Procedure for the Board meetings to ensure that the Board of Directors will implement the resolutions passed at the general meeting, so as to enhance work efficiency and warrant scientific decisions.

Such rules provide the procedures for convening and voting of Board meetings. The Rules of Procedures of the Board of Directors are annexed to these Articles, which shall be drawn up by the Board of Directors and be approved at the general meeting.

Addition

Article 10.15 When convening an extraordinary meeting of the Board of Directors, the Chairman shall authorize the Board secretary to notify all directors the time, venue, and means of the meeting, by way of telex, telegraph, telephone, facsimile or in person no less than 2 days prior to such meeting. A director may attend a regular or extraordinary meeting of the Board of Directors by way of telephone or other telecommunication facilities. A director shall be deemed to have attended the meeting in person through the abovementioned equipment where all persons present are able to hear the speech by other persons and talk to or communicate with others.

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Article 10.9 Board meeting shall only be held if more than one half of the Directors (including a Director appointing another Director to attend the meeting on his behalf by a written power of attorney according to Article 10.10) attend.

Each Director has one vote. Voting can be classified into "for", "against" and "abstained", and in case of "against" or "abstained", for which, relevant reasons shall be stated and filed. Unless otherwise specified in Article 10.3, a resolution of the Board must be passed by more than one-half of all the Directors.

In case of an equality of votes cast for and against a resolution, the Chairman shall have a casting vote.

**Amended Articles of the Articles
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Article 10.18 Board meeting shall only be held if **more than one half** of the directors (including a director appointing another director to attend the meeting on his behalf by a written power of attorney according to Article 10.19) attend. Each director has one vote.

Voting can be classified into "for", "against" and "abstained", and in case of "against" or "abstained", for which, relevant reasons shall be stated and filed. Unless otherwise specified in Article 10.9, a resolution of the Board must be passed by more than one-half of all the directors.

Each director shall have one vote in respect of the resolutions of the Board of Directors. In case of an equality of votes cast for and against a resolution, the Chairman shall have a casting vote.

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Addition

Article 10.20 A director who is affiliated with the enterprise involved in the matters discussed with the Board of directors shall not exercise his/her own, or represent other directors to exercise, voting right on such resolutions. The Board meeting may be convened with a majority of the non-interested independent directors. Resolutions put forward in a Board meeting shall be approved by a majority of non-interested directors. If the number of non-interested directors who present at a Board meeting is less than 3, such matters shall be put forward in the general meeting for consideration.

Addition

Article 10.21 The voting method of the resolutions at the Board meeting shall be conducted by: written form of registered poll.

The extraordinary meetings of the Board of Directors may be conducted by way of facsimile, conference call or other means of communication provided that the directors shall fully express their views and make resolutions, and shall be signed by all attending directors.

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Article 10.11 The Board shall keep minutes of resolutions passed at the Board meetings. The minutes shall be signed by the Directors who have attended the meeting and the person who took the minutes. Opinions expressed by Independent Non-executive Directors shall be set out in the resolutions passed by the Board at the Board meetings. The minutes of the Board meeting shall be deposited at the Company's office in the PRC. The Directors shall be liable for the resolutions of the Board. If a resolution of the Board violates the laws, administrative regulations or these Articles and the Company suffers serious loss as a result thereof, the Directors who participate in the passing of such resolution are liable to compensate the Company therefor. However, if it can be proved that a Director has expressed his objection when the resolution is voted on, and if such objection was recorded in the minutes of the meeting, such Director shall be released from such liability.

**Amended Articles of the Articles
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Article 10.22 The Board shall keep minutes of resolutions passed at the Board meetings. The minutes shall be signed by the Directors who have attended the meeting and the person who took the minutes. Opinions expressed by Independent Non-executive Directors shall be set out in the resolutions passed by the Board at the Board meetings. The minutes of the Board meeting shall be deposited at the Company's domicile in the PRC. The Directors shall be liable for the resolutions of the Board. If a resolution of the Board violates the laws, administrative regulations or these Articles and the Company suffers serious loss as a result thereof, the Directors who participate in the passing of such resolution are liable to compensate the Company therefor. However, if it can be proved that a Director has expressed his objection when the resolution is voted on, and if such objection was recorded in the minutes of the meeting, such Director shall be released from such liability.

Minutes of the Board meetings shall be kept as the Company's files for a period of not less than 10 years.

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Addition

Article 10.23 The minutes of Board meetings shall include the followings:

- (I) the date and venue of the meeting held, and the name of the convener;
- (II) the names of the directors attending the meeting and names of the directors (proxies) as appointed by others to attend the Board meeting;
- (III) the agenda of the meeting;
- (IV) the highlight of the comments by the directors;
- (V) the voting method for each resolution and the voting results (which shall state the numbers of votes for, against or abstain).

Article 12.1 The Board may, according to its requirements, establish special committees including audit committee, remuneration committee and nomination committee. The Board may also, according to its requirements, establish other special committees and restructuring the existing committees. The Board shall seek the views of the relevant special committees before making relevant resolutions.

Article 12.1 The Board of Directors may, according to its requirements, establish special committees including strategy development committee, audit committee, remuneration committee, nomination committee, and risk management committee. The Board of Directors may also, according to its requirements, establish other special committees and restructure the existing committees. The Board of Directors shall seek the advice from the relevant special committees before making relevant resolutions.

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Addition

Article 13.2 No persons who hold any position other than a director in an entity which is the controlling shareholder or de facto controller of the Company may serve as a senior management member of the Company.

Addition

Article 13.3 The term of office for a manager shall be three years, subject to re-appointment upon expiry of his term.

Addition

Article 13.7 A manager shall develop manager working rules, which shall be implemented after being approved by the Board of Directors.

The manager working rules shall include the followings:

- (I) the conditions, procedures and participants of convene the manager's meeting;
- (II) the specific responsibilities and division of work for each of the manager and other senior management members;
- (III) the use of the Company's funding and assets, authority to enter into significant contracts, as well as the reporting system to the Board of Directors and Supervisory Committee;
- (IV) other matters deemed necessary by the Board of Directors.

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Addition

Article 13.9 A general manager may tender his resignation before the expiration of his term. The specific procedures and methods for the resignation by a general manager shall be provided in the labor contract between the manager and the Company.

Addition

Article 13.10 Where a senior management member violates the laws, administrative regulations, departmental regulations, or these Articles in performing his/her duties and causes losses suffered by the Company, the senior management member shall be liable for compensation.

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Addition

Article 14.3 If the term of office of a supervisor expires but a re-election is not conducted in a timely manner, or when a supervisor resigns before his/her tenure expires and so causes the number of the members of Supervisory Committee fall below the quorum, the said supervisor shall continue to fulfill the duties as a supervisor pursuant to relevant laws, administrative regulations, department regulations and these Articles until a new director is elected.

Addition

Article 14.6 A supervisor shall comply with laws, administrative regulations, and these Articles, assume the responsibilities of loyalty and diligence to the Company, shall not exploit the authority of their position to accept bribes or other illegal proceeds, and shall not embezzle the assets of the Company

Addition

Article 14.7 A supervisor shall ensure that the information disclosed by the Company are truthful, accurate, and complete.

Addition

Article 14.8 A supervisor may attend Board meetings, and shall raise questions or provide recommendations regarding resolutions of Board meetings.

Addition

Article 14.9 A supervisor shall not exploit their connected relations to jeopardize the interests of the Company, and if so causes losses to the Company, they shall be liable for compensation.

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Addition

Article 14.10 Where a supervisor violates laws, administrative regulations, departmental regulations, or these Articles in performing his/her duties and so causes losses to the Company, such supervisor shall be liable for compensation.

Article 14.6 Supervisory Committee shall be accountable to the general meeting and shall exercise the following functions and powers in accordance with law:

Article 14.12 Supervisory Committee shall be accountable to the general meeting and shall exercise the following functions and powers in accordance with law:

- (I) to examine the financial position of the Company;
- (II) to supervise the Directors, general managers and senior management of the Company to ensure that they do not contravened any laws, administrative regulations or these Articles while performing their duties, and put forward suggestions for dismissing the above persons;
- (III) to require the Directors, general manager and other senior management who acts in a manner which is harmful to the Company's interest to rectify such behavior;
- (IV) to verify the financial information such as the financial reports, business reports and plans for distribution of profits to be submitted by the Board to the general meetings and authorize, in the name of the Company, a re-examination by the certified public accountants and practicing auditors should any queries arise;

- (I) to examine the financial position of the Company;
- (II) to supervise the directors, general managers and other senior management members of the Company to ensure that they do not contravene any laws, administrative regulations or these Articles while performing their duties, and put forward suggestions for dismissing the above persons;
- (III) to require the directors, general manager and other senior management members who acts in a manner which is harmful to the Company's interest to rectify such behavior;
- (IV) to verify the financial information such as the financial reports, business reports and plans for distribution of profits to be submitted by the Board of Directors to the general meetings, and authorize, in the name of the Company, a re-examination by a certified public accountants and practicing auditors should any queries arise;

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- (V) to propose to convene an extraordinary general meeting of the shareholders;
- (VI) to propose to convene extraordinary meetings of the Board of Directors;
- (VII) to represent the Company in negotiating with or in bringing actions against the Directors;
- (VIII) Other functions and powers stipulated in these Articles.

Supervisory Committee may suggest on the appointment of the accounting firm appointed by the Company, and where necessary, may otherwise appoint the accounting firm in the name of the Company to separately audit the accounts of the Company, and may directly report to the securities supervisory and regulatory body under the State Council and to other relevant departments.

Independent Supervisors shall report independently to the general meeting in relation to the performance of diligence and honesty of the Company's senior management.

Supervisors shall attend the Board meetings.

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of Association**

- (V) to propose to convene extraordinary shareholders general meetings;
- (VI) to propose to convene extraordinary Board meetings;
- (VII) to represent the Company in negotiating with, or initiate proceedings against a director or senior management member;
- (VIII) to conduct investigation into any identified irregularities in the Company's operations, and where necessary, to engage accountants, legal advisers or other professionals to assist in the investigation at the costs of the Company;**
- (IX) other functions and powers stipulated in these Articles.

Supervisory Committee may give advice on the engagement of an accounting firm, and where necessary, may otherwise engage an accounting firm in the name of the Company to examine the financial affairs of the Company, and may directly report to the securities supervisory and regulatory authority under the State Council and to other relevant departments.

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Addition

Article 14.15 Supervisory Committee shall formulate the Rules of Procedure for Supervisory Committee meeting, and specifying the method of deliberation and voting procedures of Supervisory Committee to ensure the efficiency and scientific decision-making of Supervisory Committee.

Addition

Article 14.16 Supervisory Committee shall make all decisions on resolutions into minutes. Supervisors attending the meeting shall sign the minutes of the meeting.

The supervisors are entitled to demand their opinions expressed at the meeting be declaratively entered in the minutes. Minutes of the meetings of Supervisory Committee shall be kept as part of the Company files for at least ten years.

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Addition

Article 14.17 The notice of Supervisory Committee meetings shall include the following details:

- (I) the date, venue, and duration of the meeting;
- (II) the reasons and subjects;
- (III) the date of the publication of the notice.

Article 15.1 None of the persons in any of the following situations shall serve as the Director, the Supervisor or the senior management of the Company:

Article 15.1 None of the persons in any of the following situations shall serve as the director, the supervisor or the senior management of the Company:

- (I) a person who has no civil capacity or has limited civil capacity;
- (II) a person who has been convicted of the offence of corruption, bribery, asset embezzlement, asset misappropriation, or disrupting the social economic order within 5 years of the expiry date of punishment or has been deprived of political rights because of this conviction within 5 years of the expiry date of the sentence;

- (I) a person who has no civil capacity or has limited civil capacity;
- (II) a person who has been convicted of the offence of corruption, bribery, asset embezzlement, asset misappropriation, or disrupting the social economic order within 5 years of the expiry date of punishment or has been deprived of political rights because of this conviction within 5 years of the expiry date of the sentence;

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| (III) a person who has served as director, factory manager or manager of a company or enterprise that is bankrupt and liquidated as a result of improper management and who has been personally liable for the bankruptcy of the company or enterprise within 3 years of the date of completion of bankruptcy and liquidation of the company or enterprise; | (III) a person who has served as director, factory manager or manager of a company or enterprise that is bankrupt and liquidated as a result of improper management and who has been personally liable for the bankruptcy of the company or enterprise within 3 years of the date of completion of bankruptcy and liquidation of the company or enterprise; |
| (IV) a person who has served as the legal representative of a company or enterprise whose business licence was revoked due to violation of the law and who has been personally liable within 3 years of the date on which the business licence of such company or enterprise was revoked; | (IV) a person who has served as the legal representative of a company or enterprise whose business licence was revoked due to violation of the law and who has been personally liable within 3 years of the date on which the business licence of such company or enterprise was revoked; |
| (V) a person who has a large sum of debt which was not paid at maturity; | (V) a person who has a large sum of debt which was not paid at maturity; |
| (VI) a person who is investigated by the judicial authorities for violation of criminal law which is not settled yet; | (VI) a person who is investigated by the judicial authorities for violation of criminal law which is not settled yet; |

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- (VII) a person who is prohibited from acting as a leader of an enterprise by the provisions of the laws and administrative regulations;
- (VIII) a non-natural person;
- (IX) a person judged by the competent authorities to have violated the provisions of relevant securities laws and involved in deceptive or dishonest acts within 5 years of the date on which the judgment was made;
- (X) circumstances specified by relevant laws and regulations on the places where the Company's shares are listed.

**Amended Articles of the Articles
of Association**

- (VII) a person who is prohibited from acting as a leader of an enterprise by the provisions of the laws and administrative regulations;
- (VIII) a non-natural person;
- (IX) a person judged by the competent authorities to have violated the provisions of relevant securities laws and involved in deceptive or dishonest acts within 5 years of the date on which the judgment was made;
- (X) **currently being barred by the CSRC from participating in the securities market;**
- (XI) circumstances specified by relevant laws and regulations on the places where the Company's shares are listed.

In the case of election or appointment of directors in violation of this Article, such election, appointment or engagement shall be null and void. Where a director violates as prescribed in the Articles, they shall be dismissed by the Company.

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Article 16.8 The Company shall publish the financial reports twice in each fiscal year. An interim financial report shall be published within 60 days of the end of the first six months of a fiscal year, while the annual financial report shall be published within 120 days of the completion of each fiscal year.

Article 16.9 The Company shall not keep any accounting books other than those specified by law.

Article 16.10 Upon completion of preparation of its interim and annual financial reports, the Company shall follow such procedures and make such announcements as required by the securities-related laws and regulations of the PRC and provisions of the stock exchange on which shares of the Company are listed.

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of Association**

Article 16.8 The Company shall publish the financial reports twice in each fiscal year. An interim financial report shall be published within 60 days of the end of the first six months of a fiscal year, while the annual financial report shall be published within 120 days of the completion of each fiscal year. The Company shall publish the Company's quarterly financial accounting report, within one month from the end of the first three months and first nine months of a financial year and, submit the same to the relevant authorities.

The aforesaid financial reports shall be prepared in accordance with relevant laws, administrative regulations and departmental rules and regulations

Article 16.9 The Company shall not keep any accounting books other than those specified by law.

The assets of the Company shall not be deposited in any account opened under a personal name.

Article 16.10 Upon completion of its interim, quarterly and annual financial reports, the Company shall follow such procedures and make such announcements as required by the securities-related laws and regulations of the PRC and provisions of the stock exchange on which shares of the Company are listed.

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Article 16.18 Subject to the restrictions stipulated by Articles 16.11, 16.12 and 16.13 herein, the annual dividends shall be distributed to the shareholders in proportion to their respective shareholdings within six months after the end of the fiscal year.

Addition

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Article 16.18 Subject to the restrictions stipulated by Articles 16.11, 16.12 and 16.13 herein, the annual dividends shall be distributed to the shareholders in proportion to their respective shareholdings within two months after the end of the fiscal year.

Article 16.27 The Company's profit distribution policy shall be:

- (I) Principle for profit distribution. The Company places great emphasis on reasonable investment returns for investors. We implement a proactive profit distribution policy and maintain the sustainability and stability of such profit policy based on our own financial structure, profitability, future investment, financing development planning. The opinions from independent directors, supervisors and public investors in relation to the decision and discussion of profit distribution policy shall be fully considered in the decision-making and discussion process of the Board of Directors, Supervisory Committee and general meetings of the Company. The profits distributed by the Company shall not exceed the accumulated distributable profits or jeopardize the ability of sustainable operation of the Company.

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- (II) Form of profit distribution. The Company may distribute dividends in cash, in shares or in a combination of both cash and shares as it is permissible under the relevant laws and regulations. Cash dividend shall be distributed prior to share dividend. In the event that conditions for distribution of cash dividend are met, cash dividend shall be adopted for profit distribution.

- (III) The interval between profit distributions. On the premise that the net profit attributed to the parent company's shareholders in the current year is positive, the Company shall conduct profit distribution at least once a year. The Board of directors may propose the Company to conduct interim cash or shares dividend distribution depending on the Company's profit and capital requirement.

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(IV) Conditions and proportion for profit distribution.

1. Conditions and proportion for cash dividends. The Company primarily adopts cash dividend as its profit distribution policy. If the Company realizes profit in the current year, the Company may distribute cash dividend after making up losses, contributing to the statutory reserve and any other reserves. If there are no material investment plans or significant cash expenditure, excluding expenses for capital raising projects, the Company may distribute cash dividends out of profit in an amount not less than 10% of the distributable profit realized in a single year.

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The aforesaid material investment plans or significant cash expenditure refer to Article 8.2 (XVII) Significant Transactions.

2. Specific conditions for distribution of share dividend. If the Company's business grows rapidly and the Board of Directors considers that the stock price of the Company does not match with its share capital size, the Company may, while satisfying the distribution of cash dividend, propose to implement a share dividend distribution plan and submit the same to the general meeting for consideration.
3. Cash dividend ratio when adopting both cash dividend and bonus share distributions. If the Company adopts both cash dividend and bonus share distributions, the Company implements a differentiated cash dividend policy subject to the capital requirement under normal production and operations:

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- (1) Where the Company is in a developed stage with no substantial capital expenditure arrangement, the dividend distributed in the form of cash shall not be less than 80% of the total profit distribution when distributing its profits;
- (2) Where the Company is in a developed stage with substantial capital expenditure arrangement, the dividend distributed in the form of cash shall not be less than 40% of the total profit distribution when distributing its profits;
- (3) Where the Company is in a developing stage with substantial capital expenditure arrangement, the dividend distributed in the form of cash shall not be less than 20% of the total profit distribution when distributing its profits. Where it is difficult to identify the development stage of the Company but there is substantial capital expenditure arrangement, dividend distribution may be dealt with in accordance with the preceding provision.

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The general meeting authorizes the Board of Directors to make the annual profit distribution proposal for the current year based on the above principles, taking into account the factors such as the characteristics of the industry in which the Company is engaging, development stage, its own operations model, level of profitability and whether there is substantial capital expenditure arrangement.

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(V) Decision-making procedures of profit distribution.

1. Before the announcement of the periodic reports, the Board of Directors of the Company shall thoroughly analyze and fully consider the relevant factors that significantly affect the income and expense of the Company's capital, such as the Company's actual operations, society financial environment and cost, the Company's cashflow, and capital expenditure plan, and formulate a specific dividend proposal which is reasonable and scientific on this basis. Independent directors shall express specific opinions when the cash dividend proposal is being formulated.

2. Independent directors may seek advice from minority shareholders on profit distribution proposal, and directly present the same to the Board of Directors for consideration.

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3. After being approved by the Board of Directors, the proposal will be submitted to general meeting for consideration. When the Company convenes a general meeting in relation to profit distribution, minority shareholders shall be facilitated to attend and vote in general meeting in accordance with the Company Laws, these Articles and the requirement under the other standardized documents; when convening a general meeting, minority shareholders shall fully have the opportunity to express their opinions on profit distribution. As for the inquiries on profit distribution from the minority shareholders, the directors, senior management members of the Company shall give full interpretation and explanation.

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Where no cash dividends distribution plan is proposed for the year in which profits are realized, the Board of Directors shall explain the reasons for not distributing cash dividends, the plan to use the capital and its application. Independent directors shall express their independent opinions.

4. The Board of Directors and the general meeting shall fully take into account the opinions of the independent directors and public investors during the process of decision-making and discussion. The Company will receive and collect the advice and is under the supervision from public investors in respect of profit distribution through various channels such as telephone, fax, e-mail, and the interactive platform of investor's relationship.

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- (VI) Adjustment of profit distribution policy. The Company will adjust the profit distribution policy according to the external operations environment or the changes of its own production operations, together with the advice from shareholders (especially public investors), independent directors and supervisors. The resolution of the relevant profit distribution policy adjustment shall be fully discussed and explained, and be considered by the Board of Directors of the Company, as well as is subject to approval by more than half of all directors and put forward to general meeting for approval and passed by the shareholders holding the voting rights of more than two thirds who attend the meeting. Meanwhile, the Company shall guarantee that the current and future profit distribution policy shall not violate the relevant regulations of CSRC and stock exchange in China.

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(VII) Disclosure of profit distribution policy. The Company shall thoroughly disclose the details about the formulation and implementation of the cash dividend policy in its annual report, and make detailed explanation on the following matters:

- (1) whether the policy is in compliance with the requirements of these Articles or the requirements of the resolutions passed at general meeting;
- (2) whether the basis and ratio of the distribution of dividends is specific and clear;
- (3) whether the relevant decision-making procedures and system are sound;
- (4) whether the independent directors have duly performed and maximized their duties and functions;
- (5) whether the minority shareholders are given the opportunities to fully express their views and concerns, and whether their legal interests are sufficiently protected, etc. If the cash dividend policy has been adjusted or altered, the Company shall also explain in detail whether the adjusted and altered conditions and procedures are in compliance with the regulations and transparent.

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(VIII) The treatment of non-compliance of a shareholder by misappropriating the funds of the Company. In case of non-compliance of a Company's shareholder by misappropriating the funds of the Company, the Company shall deduct the amount of cash dividend to be distributed to such shareholder to cover the misappropriated funds.

(IX) The formulating procedure of the Company's dividend distribution plan in future. The Company shall review the dividend return plan in future once at least every three years. The future dividend distribution plan formulated by the Company shall be submitted to the Board of Directors for consideration after being approved by more than half of the independent directors, as well as submitted to the general meeting for approval after being considered and passed by Supervisory Committee.

Addition

Article 16.28 The company implements an internal audit system, with designated auditors, to conduct internal audit supervision on the Company's financial income and expenditure and economic activities.

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Addition

Article 16.29 The duties of the Company's internal audit system and auditors shall be implemented after being approved by the Board of Directors. The person in charge of the audit is accountable to the Board of Directors, and shall report to them.

Article 17.2 The accounting firm appointed by the Company shall hold office from the conclusion of the annual general meeting at which the appointment is made until the conclusion of the next annual general meeting.

Article 17.2 The Company engages accounting firms possessing the "Qualification of Engaging in Securities Related Businesses" (從事證券相關業務資格) to conduct business, such as audit of accounting statements, verification of net assets and other related information services. The period of engagement commences from the date of conclusion of the forthcoming annual general meeting to the date of conclusion of the next annual general meeting of the Company.

Addition

Article 17.4 The engagement of an accounting firm by the Company is subject to the approval of the general meeting, and the Board of Directors shall not engage an accounting firm before the decision was made at the general meeting.

Addition

Article 17.5 The Company shall undertake to provide the accounting firm with true and complete accounting evidence, accounting books, financial and accounting reports, and other accounting information, and shall not reject, conceal or misstate any information.

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Article 21.1 Any resolution on merger or division of the Company shall be proposed by the Board of the Company, and the relevant examination and approval procedures shall be completed in accordance with laws after being approved pursuant to the procedures stipulated in these Articles. Any shareholder opposing the resolution on merger or division of the Company shall have the right to request the Company or those shareholders who consent to such resolution to purchase shares from them at a fair price. The contents of the resolution of merger or division of the Company shall constitute a special document which shall be made available for shareholders' inspection.

The document above shall also be sent by means of mails to holders of overseas listed foreign shares.

**Amended Articles of the Articles
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Article 21.1 Any resolution on merger or division of the Company shall be proposed by the Board of the Company, and the relevant examination and approval procedures shall be completed in accordance with laws after being approved pursuant to the procedures stipulated in these Articles. Any shareholder opposing the resolution on merger or division of the Company shall have the right to request the Company or those shareholders who consent to such resolution to purchase shares from them at a fair price. The contents of the resolution of merger or division of the Company shall constitute a special document which shall be made available for shareholders' inspection.

The documents above shall also be served by post **or other means as permitted under the Listing Rules** to the holders of overseas listed foreign shares.

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Article 21.2 The merger of the Company may take the form of either merger by absorption or merger by the establishment of a new company.

In the case of a merger of the Company, all parties to the merger shall execute a merger agreement and prepare a balance sheet and an inventory of assets. The Company shall notify its creditors within 10 days from the date when the resolution for the merger is passed and publish an announcement in newspaper(s) for at least 3 times within 30 days from the date when the resolution for the merger is passed.

After the merger, the rights of the parties to the merger and their indebtedness shall be assumed by the company which survives the merger or the newly established company.

Article 21.2 The merger of the Company may take the form of either merger by absorption or merger by the establishment of a new company.

In the case of a merger of the Company, all parties to the merger shall execute a merger agreement and prepare a balance sheet and an inventory of assets. The Company shall notify its creditors within 10 days from the date when the resolution for the merger is passed and publish an announcement in newspaper(s) for at least 3 times within 30 days from the date when the resolution for the merger is passed.

After the merger, the rights of the parties to the merger and their indebtedness shall be assumed by the company which survives the merger or the newly established company.

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Article 21.2 The mergers of the Company may take the form of merger by absorption and merger by new establishment.

Merger by absorption occurs when one company absorbs other company, and the company that has been absorbed dissolves. Merger by new establishment occurs where more than two companies merger to establish a new company, and all merging parties dissolve.

Article 21.3 In the event of merger of the Company, the merging parties shall execute a merger agreement, and prepare a balance sheet and a list of properties. The Company shall notify its creditors within 10 days from the date on which the resolution of merger is passed, and shall publish an announcement in newspapers within 30 days.

The creditors may require the Company to repay debts or provide corresponding guarantees within 30 days after receipt of the notice or in the case of non-receipt of the notice within 45 days after publication of the announcement.

Article 21.4 After the merger, the rights of the parties to the merger and their indebtedness shall be assumed by the company which survives the merger or the newly established company.

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Article 21.3 Where there is a division of the Company, its assets shall be divided accordingly.

In the case of a division of the Company, all parties to the division shall execute a division agreement and prepare a balance sheet and an inventory of assets. The Company shall notify its creditors within 10 days from the date when the resolution for the division is passed and publish an announcement in a newspaper for at least 3 times within 30 days from the date when the resolution for the division is passed.

Debts of the Company prior to division shall be assumed by the companies which exist after the division according to the agreement concluded.

Addition

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Article 21.5 Where there is a division of the Company, its assets shall be divided accordingly.

In the case of a division of the Company, all parties to the division shall execute a division agreement and prepare a balance sheet and an inventory of assets. The Company shall notify its creditors within 10 days from the date on which the resolution of division is passed and publish an announcement in a newspaper within 30 days from the date when the resolution for the division is passed.

Article 21.6 The debts of the companies before division shall be assumed by the company after division as incidental liability. However, it does not include the situation where a written agreement is otherwise executed between such company and the creditors for debt repayment before the division.

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Article 21.4 The Company shall, in accordance with laws, apply for change in its registration with the companies registration authority when there is a change in any item in its registration as a result of the merger or division of the Company. Where the Company is dissolved, the Company shall apply for its de-registration in accordance with laws. Where a new company is established, the Company shall apply for registration thereof in accordance with laws.

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Article 21.7 The Company shall, in accordance with laws, apply for change in its registration with the companies registration authority when there is a change in any item in its registration as a result of the merger or division of the Company. Where the Company is dissolved, the Company shall apply for its de-registration in accordance with laws. Where a new company is established, the Company shall apply for registration thereof in accordance with laws.

The Company shall apply for change in its registration with the companies registration authority according to the laws when the Company increases or reduces the registered capital.

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Addition

Article 22.2 Under (I) of the preceding article, the Company may continue to survive by amending these Articles.

Amendment to these Articles pursuant to the preceding article is subject to the approval by more than two thirds of the voting rights held by the shareholders attending the general meeting.

Article 22.4 The liquidation team shall, within 10 days of its establishment, inform the creditors and shall, within 60 days of its establishment, publish an announcement in newspaper(s) for at least 3 times. The liquidation team shall carry out registration of the creditors' claims.

Article 22.5 The liquidation team shall, within 10 days of its establishment, inform the creditors and shall, within 60 days of its establishment, publish an announcement in newspaper(s) for at least 3 times. The liquidation team shall carry out registration of the creditors' claims.

A creditor shall, within 30 days from receipt of the notice, or in the case of non-receipt of the notice, within 45 days from the publication of the announcement, claim its rights to the liquidation committee.

In claiming its rights, the creditor shall provide details about its creditor's rights and supporting documents. The liquidation committee shall register the creditor's rights.

During the period of claiming creditor's rights, the liquidation committee shall not pay off the creditors.

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Article 22.5 The liquidation team shall exercise the following powers during the liquidation period:

Article 22.6 The liquidation team shall exercise the following powers during the liquidation period:

- (I) take stock of the Company's assets and prepare a balance sheet and a list of assets respectively;
- (II) notify or publish an announcement to creditors;
- (III) deal with and liquidate any pending business associated with the Company;
- (IV) pay off all outstanding taxes and taxes in connection with liquidation;
- (V) settle claims and debts;
- (VI) dispose of the remaining assets of the Company after paying up the debts; and
- (VII) represent the Company in the civil litigation proceedings.

- (I) take stock of the Company's assets and prepare a balance sheet and a list of assets respectively;
- (II) notify or publish an announcement to creditors;
- (III) deal with and liquidate any pending business associated with the Company;
- (IV) pay off all outstanding taxes and taxes in connection with liquidation;
- (V) settle claims and debts;
- (VI) dispose of the remaining assets of the Company after paying up the debts; and
- (VII) represent the Company in the civil litigation proceedings.

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The liquidation committee shall, within 10 days of its establishment, inform the creditors, and publish an announcement in the newspapers within 60 days. A creditor shall, within 30 days from receipt of the notice, or within 45 days from non-receipt of the announcement, claim its rights to the liquidation committee.

In claiming its rights, the creditor shall provide details about its creditor's rights and supporting documents. The liquidation committee shall register the creditor's rights.

During the period of claiming creditor's rights, the liquidation committee shall not pay off the creditors.

Addition

Article 22.10 The members of a liquidation committee shall be dedicated, and carry out their duties on liquidation in accordance with the law.

No member of a liquidation committee may take advantage of his/her position by taking any bribe or any other unlawful payment, nor may he/she misappropriate any company asset.

Any member of a liquidation committee who causes material damages to the Company or causes any losses to a creditor, either intentionally or due to his/her gross negligence shall be liable for compensation.

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Addition

Article 22.11 When the Company has legally declared bankruptcy, it shall be liquidated in bankruptcy in accordance with the laws in relation to corporate bankruptcy.

Article 23.2 Except as otherwise provided in Articles 8.7 and 8.24 hereof, any amendment to these Articles shall be made in the following procedures:

Article 23.2 The Company shall amend these Articles under any of the following circumstances:

(I) The Board shall, in accordance with these Articles, adopt a resolution thereon to propose to the general meeting to amend these Articles, and draw up a proposal for such amendments;

(I) after amendments are made to the *Company Law* or relevant laws and administrative regulations, these Articles becomes contradictive to the laws as well as the requirements under the administrative regulations after the amendments;

(II) The amendment proposal shall be notified to the shareholders, and a general meeting shall be convened for voting on the proposal;

(II) the conditions of the Company have changed, and resulting in an inconsistency with the affairs set out in these Articles; and

(III) Subject to the relevant provisions of these Articles, the amendments submitted to the general meeting for approval shall be approved by way of special resolution;

(III) The general meeting has resolved to amend these Articles.

(IV) The Company shall submit the amended Articles of Association to the company registration authority for filing.

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Article 23.3 Any amendment to these Articles involving matters provided for in the *Mandatory Provisions* shall become effective upon approval by the examination and approval authorities for companies authorized by the State Council and the China Securities Regulatory Commission. If there is any change relating to the registered particulars of the Company, application shall be made for change in registration in accordance with the law.

Addition

Addition

Addition

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Article 23.3 **The amendments of these Articles as approved by way of a resolution at a general meeting that shall be approved by a competent authority are required to be put forward to the competent authority for approval.** If it involves the registration of the Company, alteration shall be completed in accordance with laws.

Article 23.4 The Board of Directors shall amend these Articles in accordance with the resolutions on amendment at the general meeting, and the approval opinions of relevant competent authorities.

Article 23.5 Where disclosure of the revision of these Articles is required under laws and regulations, it shall be announced in accordance with the relevant provisions.

Article 25.1 The notice of the Company may be served:

- (I) by personal delivery;
- (II) by post;
- (III) by announcement;
- (IV) by other means as required under these Articles.

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Addition

Article 25.2 Where a notice of the Company is issued by announcement, such notice shall be deemed as received by the relevant parties once the it is announced.

Addition

Article 25.3 The notice of the general meeting to be convened by the Company shall be given by way of announcement or other forms as required under these Articles.

Addition

Article 25.4 The notice of the Board meeting to be held by the Company shall be given by way of post, facsimile, telephone call or by personal delivery.

Addition

Article 25.5 The notice of meetings of Supervisory Committee to be held by the Company shall be given by post, facsimile, telephone or by personal delivery.

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Addition

Article 25.6 Where a notice is given by way of personal delivery, the person on whom the notice is served shall sign (or affix the seal) on the receipt and the date of service shall be the date on which such person is served. Where a notice is given by way of announcement, it shall be deemed as having been delivered on the date of first publication of the announcement.

Where a notice is given by way of email, the date of delivery shall be the date of such email first entered into the server of the recipient. Where a notice is given by way of telephone, the date of delivery shall be the date of making the telephone call.

Addition

Article 25.7 The accidental omission to giving a notice of meeting to, or the non-receipt of a notice of meeting by, any person entitled to receive notice shall not invalidate the meeting held and the resolutions adopted at such meeting.

Addition

Article 25.12 The Company shall issue an announcement and disclose information to holders of domestic shares through at least one of the designated newspapers of *China Securities Journal*, *Securities Times*, *Shanghai Securities News*, and on the websites as designated by the CSRC.

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Addition

Article 25.13 If it is required to make public announcements to the holders of overseas listed foreign shares pursuant to these Articles of the Company, the announcement shall also be published in such manner as required under the Listing Rules.

Addition

Article 26.2 The Board of Directors may formulate by-laws in accordance with these Articles, provided that such by-laws shall not be in violation to these Articles.

Addition

Article 26.3 These Articles are prepared in Chinese. In case of any inconsistency between these Articles in any languages of different versions and these Articles, the latest Chinese version approved by and registered with the registered institutions of the Company shall prevail.

Addition

Article 26.4 The expressions of “above”, “within” and “below” used in these Articles shall include the figures mentioned, while the expressions of “beyond”, “less than” and “more than” shall not include the figures mentioned; “\$” represents Renminbi, the lawful currency of the PRC.

Addition

Article 26.5 The appendices of these Articles include the “Rules of Procedure for General Meetings”, the “Rules of Procedure for Board Meetings” and the “Rules of Procedure for Supervisory Committee Meetings”.

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Addition

Article 26.7 Addition A controlling shareholder refers to a shareholder who holds more than 50% of the shares of the Company (including the preference share of which the voting rights are restored), or in the case of less than 50% the voting rights represented by the shares held by whom are sufficient to exert a significant influence upon the resolutions of the general meeting.

A de facto controller referred in these Articles shall refer to the person who is not a shareholder of the Company but can actually dominate the Company's action through investment relationship, agreement or other arrangements.

Connected relations refer to the relationship between the Company's controlling shareholders, de facto controllers, directors, supervisors, senior management members and those enterprises which are directly or indirectly controlled by them, and such other relations which may cause the interests of the Company to be transferred. However, the state-controlled enterprises do not have connected relations among each other merely because they are all being controlled by the state.

The *Guidelines* refers to the *Guidelines for these Articles of Listed Companies (2016 Revision)* issued by CSRC.

Basic Information, Prospects, Background and Necessity of Fund-raising Investment Projects

1. The use of raised funds from the initial public offering of A Share

The Company proposes to issue up to 20 million A Shares under an initial public offering. After deducting the expenses in connection with the offering, the raised funds will be used for the construction project of pharmaceutical classification and distribution centre, information system deepening project and the extension project for pharmaceutical wholesale business of the Company, and the estimated total investment amount is approximately RMB251.5625 million.

The construction project of pharmaceutical classification and distribution centre is proposed to be situated at pharmaceutical classification and distribution centre in Guangzhou Nansha, and the total investment amount is expected to be approximately RMB165 million, with a two-year construction period. Upon completion, the overall scale of the Company will be enlarged, the distribution capacity within the network will be enhanced, the advantage of the Company's services, the customer resources, branding and management resources will be further utilised, the market competitiveness and sustainability of the Company will be strengthened.

The information system deepening project is the third phase of the construction projects under the SAP informatization system, and the total investment amount is approximately RMB16.5625 million, with a one-year construction period. The project will introduce informatization modular such as CRM (Client Relationship Management). Upon completion, the project will become a vital managing tool of the Company, which could provide strong support to the innovations, management and operations of the business channels of the Company.

It is expected that approximately RMB70 million will be invested for the extension project for pharmaceutical wholesale business. The working capital required for the development of the supplemental wholesale business will be used for the procurement of upstream quality products and the development of downstream channels, so as to effectively enhance sales volume and market share, increase the corporate income and promote the operating performance.

The Company shall settle the payment for the projects by its self-raised funds based on their actual progress before obtaining the proceeds from the A Share Offering. After obtaining the proceeds from the A Share Offering, such proceeds could be used to replace the preliminary self-raised fund injected in the investment projects. In the event that the amount of proceeds could not meet the total amount proposed to be invested in the above projects, the shortfall would be settled by way of self-raised funds by the Company.

The deposit system in the Special Account for Raised Funds would be set up, according to which the raised funds shall be deposited in a special account designated by the Board to be used properly as their designed purposes. The Company will strictly follow the related rules of the Administration System of Raised Funds to manage and utilize the raised funds.

The initial public offering of A Shares is subject to the approval of regulatory authorities such as CSRC.

2. Project Background

The Company is a leading medicine distributor in Guangdong province, which mainly sells various medicine products to other distributors, retail drug stores, hospitals, clinics and health stations. The Company focuses on non-centralized bidding market and spares no efforts to meet the end clients' service requirements of highly-frequency small-quantity procurement and efficient delivery. Now, the Company have two self-owned large medicine logistics distribution centres (in Shantou and Foshan), which are equipped with professional transportation teams and modern information systems, covering the whole pharmaceutical distribution supply chain from procurement, sales, warehousing, transportation to delivery.

In consideration of further development of the domestic medicine market, especially the boom of spending in medicine in Guangdong province, the Company's current logistics network, informatization level and self-capital scale can no longer meet the future development demand. So, it is in urgent need to invest more in logistics facilities in the Pearl River Delta region, enhance the information service capacity and increase additional working capital. Firstly, in China, health expenditure rose strongly. According to the data of National Bureau of Statistics, China's total health expenditure increased from RMB2,434.591 billion in 2011 to RMB4,097.464 billion in 2015, at a compound annual growth rate of 13.90%. According to the statistics from the *Report of Statistical Analysis on the Operation of Pharmaceutical Distribution Industry of 2016*, the sales volume in Guangdong province in 2016 amounted to RMB160.303 billion, ranking first among different provinces, cities and municipalities, and the compound annual growth rate reached 21.72% for the last five years. Secondly, in recent years, the awareness on medical care has been gradually increasing among Chinese residents, and the insurance system is being improved. The growth momentum of consumption of medical and healthcare services stays strong. In addition, with the competition in pharmaceutical industry getting increasingly fierce, the clients have higher and higher requirements on medicine products and services.

3. Project necessity

(1) Firstly, it is in line with future development strategy and planning of the Company

The Company plans to further explore Guangdong market, fully extend the network coverage and increase its market share. In order to achieve the above goal, we have to build several logistic centres in the Pearl River Delta region, so as to shorten the distribution radius and the network radiation capacity. The Company plans to build a pharmaceutical classification and distribution centre in Nansha District, Guangzhou City. There is no doubt that it conforms to the Company's development strategy and planning in the future. Being a municipal district of Guangzhou City, Nansha District is located at the estuary of the Pearl River and the geometric centre of the greater Pearl River Delta, a hub connecting a cluster of coastal cities along the Pearl River. The Pearl River Delta is one of the most economically developed regions in China, and Nansha District sits right in the centre of the region. Therefore, building a pharmaceutical classification and distribution centre in Nansha district can help the Company solve its existing problems of relatively lower warehousing capacity and the smaller distribution network in the Pearl River Delta, forming a complementary network with the distribution areas of Guangdong Charmacy Pharmaceutical Limited (referred to as "Guangdong Charmacy") and Zhuhai Charmacy Hengxiang Pharmaceutical Limited (referred to as "Zhuhai Charmacy"). Such that the service capacity of the Company in the Pearl River Delta could be fully strengthened.

(2) Secondly, it helps solve the bottleneck issue in respect of warehousing to achieve the self-development of the Company

In recent years, the Company has expanded businesses rapidly in China, especially in the Pearl River Delta. Guangdong Charmacy has a relatively shorter establishment history, but its operations scale has already surpassed that of the eastern Guangdong area in 2016. However, as the capacity of the Company's logistic centre in Foshan region is almost saturated, and it can no longer meet the market demand and the further development requirements of the Company. Therefore, there is an urgent need for the Company to build new logistic centres, so as to break through the bottleneck issue of the existing distribution capacity, increasing the supply capacity and meeting the increasing market demand.

- (3) *Thirdly, it helps improve the internal control and management system of the Company as a whole*

Being the core competition advantage for the future development for enterprises, informatization is the objective requirement for an enterprise to enhance its core competitiveness and efficiency, which is an important approach to achieve management innovation, and also an effective measure to solve the current prominent problems in business management. Informatization is of great significance to enhancement of a company's operation efficiency and realization of delicacy management. In particular, the Company focuses on the markets without bidding, in which the clients have extremely high requirements on the distribution efficiency and service standard. Therefore, it is essential for the Company to improve the information system and raise the informatization management capability.

- (4) *Lastly, it helps reduce cost to use the funds and enhance the efficiency of using the funds*

The medicine distribution industry is a capital-intensive industry. In the process of wholesale business development, the Company needs a huge amount of working capital as support, so as to make large-scale procurement to lower the procurement cost. The Company has been listed on the Main Board of the Stock Exchange of Hong Kong Limited, but in view of the restriction on financing scale of capital market in Hong Kong and the requirement of frequent and convenient financing channels in daily operations, bank loan is still the main financing mode for the Company. Under the indirect financing mode, the Company is vulnerable to credit policy and the fluctuation of interest rate, and is exposed to a higher capital cost and business risks. The funds raised by the Company are applied to the development of wholesale business. In this way, various disadvantages of indirect financing can be reduced, the cost to use the funds can be lowered, and the efficiency to use the funds can be enhanced.

The Board has proposed to the general meeting to fully authorize the Board to deal with the matters on the initial public offering and listing in the Shenzhen Stock Exchange of ordinary shares (A shares) denominated in Renminbi. The specific scope of authorization includes but not limited to the followings:

- (1) Formulate and implement the specific plan in respect of the offering and listing (including but not limited to, the time of offering, quantity under the issue, issue price and way of offering) within the scope of the resolution made at the general meeting in accordance with the requirements of the CSRC and the actual conditions of the securities market.
- (2) Propose the listing application to the CSRC and give relevant feedbacks.
- (3) Make appropriate adjustments to the purpose and selection of funds raised and investment amount in accordance with the implementation of the offering and listing plan, market conditions, environment for the policy and the requirement of the CSRC, to determine the investing progress and give priority in terms of importance of the fundraising project, as well as to sign the significant contracts during the fundraising project operation.
- (4) Sign, file and amend the relevant contracts, agreements and all necessary documents in relation to the offering and listing in accordance with the requirements of the laws and regulations of the PRC and of the regulatory authorities of securities.
- (5) Determine the stock exchange, and deal with the relevant procedures, for the offering and listing in accordance with the requirements of the regulatory authorities of securities.
- (6) Deal with the procedures for the approval, registration and filing in relation to the amendments to the Articles of Association of the Company, inspection of fundings, registration of change in respect of industry and commerce in pursuance to the offering of shares after the initial public offering of the ordinary shares (A shares) denominated in Renminbi.
- (7) Engage CSC Financial Co., Ltd. (中信建投證券股份有限公司) to act as the sponsor and underwriter for the offering and listing of A shares of the Company, and engage ShineWing Certified Public Accountants (Special General Partnership) (信永中和會計師事務所(特殊普通合夥)) to act as the auditors for the offering and listing of A shares, and engage Beijing Dacheng Law Offices (北京大成律師事務所) to act as the legal advisers for the offering and listing of A shares of the Company.
- (8) If there has been a change in the policies in relation to the offering and listing during the validity of the resolution in respect of the offering and listing, the matter of the offering and listing shall be proceeded in accordance with the new policies.
- (9) Deal with other necessary matters in relation to the offering and listing in pursuant to the relevant laws and regulations and the requirements under the regulatory authorities of securities of the PRC.

The authority shall be in effect for 12 months from the date on which the resolution has been passed on the general meeting.

I. Basis and Principles for the Formulation of the Dividend Return Regulations for Shareholders**(1) Basis for the Formulation of these Regulations**

Charmacy Pharmaceutical Co., Ltd. (hereinafter referred to as the “**Company**”) has formulated these regulations, focusing on long-term and sustainable development of the Company. Based on the factors such as the analysis of the Company’s business development plan, shareholders’ requests and wishes, social funding costs, and external financing environment as a whole, these regulations have fully taken account into the factors such as Company’s current and future profitable scale, cash flow, the stage of development, the funding requirement for the project investments, banking facilities and debt financing environment, the Company aims to establish a sustainable, stable and scientific return mechanism for investors, and make institutional arrangement on profit distribution, so as to guarantee the sustainability and stability of the profit distribution policy.

(2) Principles for the Formulation of these Regulations

The Company implements a positive, sustainable and stable profit distribution policy, which focuses on giving reasonable investment return to its investors, while taking into consideration of the Company’s actual operation condition and sustainable development. The Board meeting and the general meeting of the Company shall, during the decision-making and discussion of profit distribution policy, communicate with the independent Directors and minority shareholders. Through which, the Company is attentive to the opinions and requests of independent Directors and minority shareholders, and addresses the concerns raised by minority shareholders in a timely manner.

II. The Cycle and Relevant Decision-Making Mechanism of the Formulation of the Regulations on Shareholders’ Dividend Return

The Board of the Company shall formulate the regulations on dividend return for shareholders in accordance with the profit distribution policy prescribed under the *(Draft) Articles of Association of the Company*. In the event that the Company has to adjust the profit distribution policy depending on its production and operating conditions, investment plans, requirements on long-term development, or has caused greater changes owing to external environment and its own operating conditions, the Board of the Company shall adjust these regulations based on the actual conditions and put it forward to the general meeting for consideration and approval.

The Company shall review the dividend return regulations for shareholders at least once every three years, and make appropriate, and necessary, alteration to the profit distribution policy in place with reference to, especially, the opinions from the minority shareholders and the independent directors, to determine the dividends return plan for shareholders at the time.

The adjustments on the dividends return regulations for shareholders shall be proposed by the Board at the general meeting. The dividends return regulations for shareholders proposed by the Board shall be passed by more than one-half of all the directors and more than half of the independent directors. Independent directors shall express the independent opinions on the formulation and amendment to the dividends return regulations for shareholders. These regulations shall be considered at the general meeting and passed by more than two-thirds of the voting rights of shareholders who present at such meeting.

III. The Dividends Return Regulations for Shareholders within three years from Listing

In accordance with the requirements by the *Company Law*, the *Notice Regarding Matters on Further Implementation of Cash Dividends Distribution of Listed Companies* (《關於進一步落實上市公司現金分紅有關事項的通知》), *Guidelines for the Supervision and Administration of Listed Companies No. 3 - Cash Dividend Distribution of Listed Companies* (《上市公司監管指引第3號—上市公司現金分紅》), and (Draft) *Articles of Association of the Company*, after fully withdrawing the statutory reserve and surplus reserve, the profit distribution plan of the Company within three years from the Listing will be as follows:

(1) Form of Profit Distribution:

In accordance with the relevant laws, regulations, regulatory documents, the (Draft) *Articles of Association of the Company*, and the relevant requirements and conditions under these regulations, while maintaining the consistency and stability of the profit distribution policy, the Company may distribute the dividends by way of cash, shares or a combination of both cash and shares as permitted under the laws and regulations. The Board may formulate an annual or interim dividend return proposal based on the Company's current profit scale, cash flows, stage of development and capital requirements.

The Company will stick to distributing profit to shareholders by way of cash dividends, preferably, within three years from Listing.

(2) Cash Dividends

Within three years from Listing, the Company shall distribute the profits in cash of no less than 10% of the profit available for distribution realized for the year, provided that the Company can guarantee that its on-going operation and long-term development can be achieved. The specific ratio of the cash dividend each year shall be considered and determined by the Board in view of the factors such as characteristics of the industry, stage of development, its own business model, level of profitability and whether there is any significant capital expenditure arrangements as a whole.

(3) Distributing Bonus Shares

Where the Company is under sound operations, and the Board considers that the share price of the Company does not reflect its capital size and capital structure based on the true and reasonable factors such as the growth and the net assets per share of the Company, the Company may also distribute its profit by way of bonus shares, provided that the above cash bonus ratio is achieved.

When determining the specific amount of profit distribution by way of cash dividends or bonus shares, the Company shall fully consider whether the total share capital after the distribution of profit by way of shares commensurate to the current operations scale and profit growth rate of the Company, and consider the impact on the future financing costs in order to ensure that the profit distribution plan is in the long-term interests of all shareholders as a whole.

(4) The Formulation and Execution of the Profit Distribution Plan

The profit distribution plan shall be proposed by the Board of the Company after the end of every accounting year within the period under planning, and the same shall be passed by more than half of all Directors of the Company and approved by more than half of independent directors, and shall be considered and approved at the general meeting. After the resolution in respect of the profit distribution plan is made at the general meeting of the Company, the board of directors of the Company shall complete the distribution of dividends (or shares) within 2 months from the convening of such general meeting.

IV. Regulations on the Use of Undistributed Profit

The Company's undistributed profit shall mainly be used on other capital expenditure plan (other than raising funds for investment projects) and replenish the required working capital for the expansion of business scale of the Company.

V. Formulation of the Arrangement for Dividend Return Regulations for Shareholders in the Future

The Company formulates the dividend return regulation for shareholders at a cycle of every three years. The Company shall determine the dividend return regulations for shareholders for the current period based on the profit distribution policy as required under the *Articles of Association of the Company*, and the profitability scale, cash flows, its development stage, and the capital requirement at the time of the Company shall be fully considered by the Board of Directors of the Company with reference to the specific operations of the Company.

VI. Miscellaneous

These regulations will be implemented from the date of the initial public offering and listing of the Domestic Shares after consideration and approval at the general meeting of the Company.

Any amendments to these regulations are subject to the consideration and approval at the general meeting of the Company.

Within three years from the Company's A shares (the shares and their price mentioned below refer to A shares and their price) are issued and listed, if the price of the Company shares continues to be lower than the net assets per share, the Company will initiate the measures of price stabilization by way of repurchasing the Company's shares or increasing the shares held by controlling shareholders, directors (excluding independent directors) and senior management members.

I. Conditions to Initiate Price Stabilization Measures

Every 12 month within three years from the issue and listing of shares of the Company, the closing price of the shares of the Company are lower than the latest audited net assets per share for 20 consecutive trading days (except for those trading days on which the shares of the Company are suspended for the whole day, the same applies below).

II. Mode and Procedures of the Price Stabilization

1. The mode and procedures of price stabilization measures: (1) repurchase of shares by the Company; (2) increase the shares of the Company held by controlling shareholder; (3) increase the shares of the Company held by the directors (excluding independent directors) and senior management members of the Company.

When adopting the aforesaid measures, the followings should be considered: (1) shall not cause the Company to fail to meet the legal conditions for listing; (2) shall not force the controlling shareholder, de facto shareholder to perform the obligations for the offer.

2. Procedures for the implementation of price stabilization measures:

The first option is that the Company repurchases the shares, and if the repurchase of share would cause the Company to fail to meet the legal conditions for listing, the first option shall be increasing the shares of the Company held by the controlling shareholder of the Company.

The second option shall be the increasing of shares held by controlling shareholders. The second option shall be initiated if one of the following situations occurs: (1) the Company fails to repurchase its shares or the resolution of the share repurchase is not approved at the general meeting, and the increase of shares by the controlling shareholder shall not cause the Company to fail to meet the legal conditions for listing or trigger the obligation to make the offer by the controlling shareholder; (2) the Company has implemented the share repurchase plan, but fails to meet the condition of "the closing price of the shares of the Company is higher than the latest audited net assets per share of the Company for 3 consecutive trading days".

The third option is that the increase of shares of the Company held by the directors (excluding independent directors) and senior management members. The condition to initiate such option: after the increase of shares of the Company by the controlling shareholders has been implemented, and if the shares of the Company still fail to meet the condition of “the closing price of the shares of the Company is higher than the latest audited net assets per share of the Company for 3 consecutive trading days”, and the increase of the shares of the Company by directors (excluding independent directors) and senior management members shall not cause the Company to fail to meet the legal conditions for listing or trigger the obligation to make the offer by the controlling shareholders or de facto controlling shareholders.

The Company shall initiate the mandatory obligation of price stabilization measure only once in each calendar year.

(III) The Implementation Proposal of Share Repurchase by the Company

1. Timing and procedures for initiating each share repurchase:

When the conditions to initiate the price stabilization measures are triggered, the Company shall convene the board meeting within 10 days to make a resolution to implement the share repurchase in accordance with the laws, which will be put forward to the general meeting for approval and carrying out the corresponding announcement procedures.

The Company will hold a shareholders’ general meeting within 45 days from the date that the resolution was made by the board of directors to consider the proposal of implementing the share repurchase. The resolution made for the implementation of share repurchase at the general meeting of the Company shall be approved by voting by more than two-thirds of the shareholders who attend the meeting.

After the general meeting of the Company has approved the implementation of share repurchase, the Company will fulfill the obligations of making corresponding announcement, filing and notification to the creditors in accordance with the laws. Upon meeting the statutory conditions, share repurchase shall be implemented in accordance with price range and period as stipulated in the resolution in respect of the implementation of share repurchase as passed and resolved.

2. Implementation period for each share repurchase: The Company will repurchase the shares within 6 months from the date that the resolution was made at the general meeting.

3. The ratio for each share repurchase: When making share repurchase, the ratio for each repurchase shall not be less than 2% of the Company's total share capital, and the issuer's equity distribution shall meet the conditions for listing after such share repurchase.
4. The mode of share repurchase: Buying through a stock exchange by the way of centralized auction transactions.
5. The conditions to discharge obligations for each share repurchase: When one of the following conditions is met, the issuer's obligation under the share repurchase will be completed or discharged, and the report on the share repurchase shall be announced within 2 trading days: (1) when the actual share repurchase ratio has reached the target repurchase ratio as required under the share repurchase plan; (2) through the implementation of the shares repurchase, the closing price of the Company's shares is higher than the latest audited net asset value per share of the Company for 3 consecutive trading days; (3) if the continuous share repurchase will result in the ratio of public float failing to meet the requirements of the conditions for listing.
6. The cancellation of shares repurchased: After the completion or termination of the implementation of a single share purchase, the shares of the Company repurchased shall be cancelled within 10 days from the date of such completion or termination, and capital reduction of the Company shall immediately be carried out.

(IV) The Implementation Proposal of Increasing the Shares of the Company Held by Controlling Shareholder

1. Initiation conditions and implementation procedures for each increase of shareholding
 - (1) The Company has not implemented the share repurchase plan: where the implementation conditions of initiating price stabilization are triggered, and on the premise that the Company fails to implement the share repurchase or the resolution of share repurchase is not approved at the general meeting of the Company, and the increase of shares held by controlling shareholder will not lead to the Company to fail to meet the legal conditions for listing or trigger the takeover obligation by the controlling shareholder, the controlling shareholder of the Company will put forward the resolution of increasing the shareholding to the Company within 10 days from the date that the implementation conditions of initiating price stabilization are triggered or the resolution of not implementing the share repurchase is made at the general meeting, and shall be announced by the Company. (2) The Company has implemented the share repurchase plan: The Company has implemented the share repurchase plan but has not met the condition of "the closing price of

the shares of the Company is higher than the latest audited net assets per share for 3 consecutive trading days”, the controlling shareholder of the Company will put forward the proposal of increasing the shareholding of the Company to the Company within 10 days from the date of completion or termination of the Company’s share repurchase plan, which shall be announced by the Company.

2. Implementation period for each increase of shareholding: After the performance of obligation such as making corresponding announcement, the increase of shareholding shall be implemented by the controlling shareholder in accordance with price range and period as stipulated in the proposal, within 6 months from the date of making the announcement of the increase of shareholding plan, provided that the legal conditions are met. The Company shall not provide financial support to the controlling shareholder for the increase of shareholding of the Company.
3. The ratio of each increase of shareholding: When the controlling shareholders increase the shareholding of the Company, the ratio for each increase of shareholding shall not be less than 2% of the Company’s total share capital, and the proportion of the public float after such increase of shareholding shall meet the relevant requirements under the condition for listing.
4. The mode of the increase of shareholding: Buying through a stock exchange by the way of centralized auction transactions.
5. The conditions to discharge obligations for each increase of shareholding: When one of the following conditions is met, the controlling shareholder’s obligation under the increase of shareholding will be completed or discharged, and the report on the increase of shareholding shall be announced within 2 trading days: (1) When the actual increase of shareholding ratio has reached the target increase of shareholding ratio as required under the increase of shareholding plan; (2) through the increase of the shares of the Company, the closing price of the Company’s shares is higher than the latest audited net asset value per share of the Company for 3 consecutive trading days; (3) if the continuous increase of shareholding will lead to the Company to fail to meet the legal conditions for listing; (4) if the continuous increase of shareholding will result in that the controlling shareholder shall fulfill the obligation to make the takeover, and the controlling shareholder has no plan to implement the takeover.

(V) The Implementation Plan for the Directors (Excluding Independent Directors) and Senior Management Members to Increase Shareholding of the Company

1. Initiation conditions and implementation procedures for each increase of shareholding: The controlling shareholder has implemented the plan of increasing the shareholding but has not met the condition of “the closing price of the shares of the Company is higher than the latest audited net assets per share for 3 consecutive trading days”, the directors (excluding the independent directors) and senior management members will put forward the proposal of increasing the shareholding of the Company to the Company within 10 days after implementation of the plan of increasing the shareholding by the controlling shareholder, which shall be announced by the Company.
2. Implementation period for each increase of shareholding: The obligations of increasing the shareholding shall be performed within 20 trading days after the announcement of increasing the shareholding (in case of the sensitive period, suspension events, or other conditional transactions of performance of obligations in respect of increase of shareholdings, in which the directors and senior management members are not allowed to make deals as required by a stock exchange, the implementation period for the increase of shareholding will extend).
3. The amount for each increase of shareholdings: Where the directors and senior management members who hold office in the Company increase their shares of the Company, the amount for each increase shall not be less than 30% of the remuneration that they receive from the Company for the previous year, and the ratio of public float after such increase shall meet the relevant requirement under the conditions for listing.
4. The mode for the increase of shareholding: Buying through a stock exchange by way of centralized auction transactions.
5. The conditions to discharge obligations for each increase of shareholding: When one of the following conditions is met, the obligation of the directors and senior management members of the Company who hold office in the Company to increase the shareholding will be completed or discharged, and the report on the increase of shareholding shall be announced within 2 trading days: (1) When the actual amount of the increase of shareholding has reached the bidding amount as required under the proposal of increase of shareholding; (2) if the continuous increase of shareholding will lead to the ratio of public float of the Company to fail to meet the legal conditions for listing; (3) if the continuous increase of shareholding will result in that the controlling shareholder shall fulfill the obligation to make the takeover, and the controlling shareholder has no plan to implement the takeover.

6. The obligations of the increase in shareholdings for hiring new directors and senior management members in the future: The Company undertakes that when hiring new directors (excluding independent directors) and senior management members, it will comply with the requirements of the aforesaid plan and sign the corresponding written undertakings.

The aforesaid “latest audited net asset per share” will be adjusted accordingly if the Company has ex-rights or ex-dividend events such as dividend distribution, bonus issue, conversion of capital reserve into share capital and rights issue.

(VI) Price Stabilization Undertaking for Price of the Company’s Shares will be Lower than the Net Assets Per Share within Three Years after the Listing

The issuer and its controlling shareholder, the directors (excluding the independent directors) and the senior management members undertake:

Every 12 months within three years after the issue and listing of A Shares of the Company, if the closing price of the Company shares is lower than the latest audited net asset per share for 20 consecutive trading days (excluding the trading days in which the Company’s shares are suspended for the whole day) for the first time, which triggers the condition to immediately initiate price stabilization measures. The issuer and its controlling shareholder, the directors (excluding the independent directors) and the senior management members shall initiate price stabilization measures within 10 trading days after the last trading day for the occurrence of the above circumstances, and the Board of the Company would formulate and announce a specific implementation plan.

The specific measures and implementation procedures adopted by the Company and its controlling shareholders, directors (excluding independent directors) and senior management members to initiate price stabilization measures are as follows: (1) Repurchase of shares by the Company; (2) Increase in shareholding of the Company by the controlling shareholders of the Company; (3) Increase in the shares of the Company by the directors (excluding the independent directors) and the senior management members of the Company;

The Company, controlling shareholder, the directors (excluding the independent directors) and the senior management members will accept the price stabilization measures formulated by the Board of the Company, which shall be strictly implemented.

If the price stabilization measures are not approved by the Board of the Company within 15 trading days after the conditions for share repurchase have been fulfilled, the Company shall defer the payment of 50% of the remuneration (allowance) to the directors. The Company shall also defer the payment of other bonuses or allowances other than the basic salary to the directors who hold other positions in the Company, until the date in which the proposal for price stabilization measures are considered and approved in the Board meeting.

If the controlling shareholder, directors and senior management members fail to execute the proposal of price stabilization measures after such proposal has come into effect, the controlling shareholder, directors and senior management members who have not executed such proposal shall make a public apology to the investors. The directors and senior management members who are shareholders shall not be entitled to the cash bonus of the Company for the current year, the cash bonus they are entitled to shall be retained by the Company.

If the directors and senior management members fail to execute the proposal of price stabilization measures after such proposal has come into effect, the Company shall defer the payment of 50% of the remuneration (allowance) as well as other bonuses or allowances other than the basic salary to the directors and senior management members who have not executed such proposal for 12 months from the date of expiry of such price stabilization measures.

The Company will require the newly hired directors and senior management members to fulfill the above obligation of the increase of shareholdings in the future. The directors (excluding the independent directors) and senior management members who newly joined the Company within three years from date of listing shall sign this undertaking. This undertaking is binding on the directors (excluding the independent directors) and senior management members who newly joined within 3 years after the listing of the company.

**APPENDIX XI REMEDIAL PLAN AND RELEVANT UNDERTAKINGS ON
DILUTION OF IMMEDIATE RETURN ARISING
FROM THE A SHARE OFFERING**

**THE REMEDIAL PLAN IN RELATION TO THE DILUTION OF IMMEDIATE RETURN
AFTER THE INITIAL PUBLIC OFFERING**

To minimize the adverse effects on the dilution of immediate return arising from the initial offering of the shares, the resolution in relation to the remedial measures for the dilution of immediate return and the enhancement of the sustainability of returns was approved at the meeting of the Board, in which the specific measures include:

1. Speed up the investment and construction processes of investment projects financed by raised funds

The Company intends to invest the raised funds in “the construction projects of pharmaceutical classification and distribution centre”, “the information system deepening project” and “the extension project for pharmaceutical wholesale business”. The implementation of investment projects financed by raised funds would facilitate the further consolidation of the competitive advantages of the Company in markets without bidding, enhance the warehousing and distribution capacity together with the informatization level, and reduce capital cost, so as to further increase the integrated competitiveness of the Company. The Company has conducted thorough research and discussion on the feasibility of the investment projects financed by raised funds as mentioned above. There will be substantial increase in the profitability of the Company upon the successful implementation of the investment projects financed by the raised funds. The Company will proactively speed up the investment and construction processes of investment projects financed by raised funds, raise the investment returns and mitigate the risk of the dilution of immediate return after the listing of the shares.

2. Enhance the management of raised funds

To regulate the management and use of raised funds and to ensure that the raised funds under the offering will be used properly as their designated purposes, the Company will deposit the raised funds into a special account designated by the Board based on the rules under the related laws and regulations, and the requirement of *The Management System of the Raised Funds by Charmacy Pharmaceutical Co., Ltd.* (《創美藥業股份有限公司募集資金管理制度》) to achieve the specific purpose, and accept the supervision from the sponsor, the bank of the designated account, the stock exchange and other authorities.

3. Improve the governance of the Company

The Company will strictly follow the requirements of laws, regulations and regulatory documents such as *the Company Law*, *the Securities Law*, and *the Code of Corporate Governance for Listed Companies* to continuously improve the governance structure of the Company, and ensure that shareholders could exercise their rights in full extent, to ensure the Board could exercise their power in accordance with the rules of laws, regulations and the Company Law to make rational, timely and prudent decisions, to ensure the independent Directors could fulfill their duties seriously, and protect the interests of the

**APPENDIX XI REMEDIAL PLAN AND RELEVANT UNDERTAKINGS ON
DILUTION OF IMMEDIATE RETURN ARISING
FROM THE A SHARE OFFERING**

Company as a whole, especially the legal interests of the minority shareholders, to ensure that the supervisory committee could independently and efficiently exercise their rights of supervision and investigation towards the Directors, managers and other senior management as well as the financial affairs of the Company, in order to provide a system that guarantees the development of the Company, and to ensure the effective implementation of various resolutions made at the general meetings and the meetings of the Board of the Company.

4. Increase the delicacy level of management

The Company will further optimize the management model by means of informatization and enhancing its management efficiency. Meanwhile, the Company aims at increasing the control efforts on costs and expenses and enhancing the profit margin through the establishment of effective evaluation system of costs and expenses. Furthermore, as the business scale of the Company expands and the number of subsidiaries increases, the standardization of the large-scale procurement and management model will help the Company to further reduce the proportion of costs and expenses to income.

5. Implement proactive dividend distribution policy

The Company has improved the profit distribution policy after the listing in accordance with *the (Draft) Articles of Association of the Company* formulated by the Company, and has further determined the general principle of profit distribution, determined the conditions and approaches of profit distribution, developed the specific conditions and ratio of cash dividends, and improved the supervision and restriction mechanism of the dividend policy. According to the *Dividend return plan for Shareholders within three years after the A Share Offering* as formulated by the Company, the Company will maintain the consistency and stability of the profit distribution policy, focus on the reasonable investment return for the investors, strengthen the protection of the investors' interests, with regards of the interests of all shareholders as a whole and the sustainable development of the Company.

APPENDIX XII RELEVANT UNDERTAKINGS ON MATTERS IN CONNECTION
WITH THE A SHARE OFFERING AND LISTINGS AND
PROPOSED CORRESPONDING RESTRICTIVE MEASURES

As the Company proposes to proceed with the initial public offering and listing of its ordinary shares (A shares) denominated in Renminbi, according to the relevant requirements under the laws, regulations and regulating documents, such as *Opinions of the China Securities Regulatory Commission on Further Promotion of Structural Reforms on Issue of New Shares* (《中國證監會關於進一步推進新股發行體制改革的意見》), the Company intends to issue the relevant undertakings in relation to its application of the initial public offering and listing of its ordinary shares (A shares) denominated in Renminbi (hereinafter, the “**Offering and Listing**”), and has formulated the following restriction measures:

I. Restriction measures in relation to the failure to perform the measures on price stabilization

Upon the satisfaction of the conditions triggering the restriction measures for price stabilization, if the Company fails to adopt specific measures for price stabilization, the Company undertakes to be bound by the following measures: the Company shall publicly explain the particular reasons for such failure to perform the above measures for price stabilization at the general meeting and on the media for information disclosure as designated by the China Securities Regulatory Commission, and apologize to the shareholders and public investors. Meanwhile, the Company shall voluntarily undertake the corresponding legal responsibilities.

II. Restriction measures for the undertaking of information disclosure

1. If the prospectus of the initial public offering and the listing of the shares of the Company contains any false content, misleading statement or material omission, which constitutes material and substantial effects to the determination of whether the Company satisfies the conditions of issuance under the legal requirements, the Company will repurchase all the new Shares issued under the initial public offer after making the above confirmation to the relevant regulatory authority, and will initiate the repurchase mechanism within 1 month, and the buy-back price shall be the price of the shares of the Company in the secondary market when they were repurchased.
2. If the prospectus of the initial public offering and the listing of the shares of the Company contains any false content, misleading statement or material omission, which leads to losses to the investors when the securities being issued or when dealing in securities, such loss will be compensated by the Company in accordance with the laws:
 - (1) Once the relevant regulatory authority has determined that the prospectus of the Company contains false content, misleading statement or material omission, the Company shall initiate the work in relation to the compensation for the losses to investors within 1 month;

APPENDIX XII RELEVANT UNDERTAKINGS ON MATTERS IN CONNECTION
WITH THE A SHARE OFFERING AND LISTINGS AND
PROPOSED CORRESPONDING RESTRICTIVE MEASURES

- (2) the losses to investors shall be determined in accordance with the amount determined by the relevant regulatory authority or judicial authority, or the amount to be agreed between the Company and the investors.

III. Restriction measures for the failure to perform other undertakings

1. If the Company fails to perform its public undertakings due to the reasons other than force majeure, the Company undertakes to be bound by the following restriction measures, until the corresponding remedial measures have been performed:
 - (1) The Company shall publicly explain the particular reasons for such failure to perform the relevant undertakings at the general meeting and on the media for disclosure as designated by the China Securities Regulatory Commission, and apologize to the shareholders and public investors;
 - (2) reduce or suspend the remuneration and allowance of the directors, supervisors, senior management members who are liable for individual responsibilities in relation to the Company's failure to perform its undertakings if these persons receive remuneration from the Company;
 - (3) the Company shall not approve the resignation made by the directors, supervisors, senior management members who fail to perform their undertakings, while a change of their job duties could be made;
 - (4) The Company shall make compensation to the investors in accordance with law for the losses being caused to them.
2. If the Company fails to perform its public undertakings due to the reasons of force majeure, the Company undertakes to be bound by the following restriction measures, until the corresponding remedial measures have been performed:
 - (1) The Company shall publicly explain the particular reasons for such failure to perform the relevant undertakings at the general meeting and on the media for disclosure as designated by the China Securities Regulatory Commission, and apologize to the shareholders and public investors;
 - (2) a resolution minimizing the loss to the interests of the investors shall be explored as soon as possible, and be submitted to the general meeting for approval, so as to protect the interests of the investors of the Company as much as possible.

**APPENDIX XII RELEVANT UNDERTAKINGS ON MATTERS IN CONNECTION
WITH THE A SHARE OFFERING AND LISTINGS AND
PROPOSED CORRESPONDING RESTRICTIVE MEASURES**

3. If the Company's public undertakings contain restriction measures in relation to the failure to perform such undertakings, the Company shall be bound to perform relevant corresponding remedial measures in accordance with the restriction measures of such undertakings. If the Company fails to compensate the losses caused by the failure to perform such undertakings after adopting corresponding remedial measures, the Company shall implement the restriction measures above, until the corresponding losses being caused have been covered or minimized.

After this resolution being considered and approved at the general meeting of the Company, it will take effect on the date when China Securities Regulatory Commission or a competent authority approving this offering and the listing of shares by this public offering of the Company.

The H Shares of the Company were listed in 2015, and 28,000,000 ordinary shares were issued at an issue price of HK\$8.6 per share and a total amount of funding of HK\$240,800,000 was raised. After deduction of various expenses in relation to such issuance of HK\$41,554,715.96, the net amount of funding raised was HK\$199,245,284.04. The funding raised mentioned above had been verified by a Capital Verification report (No. XYZH/216GZA20002) issued by ShineWing on 15 March 2016. As at 20 July 2017, the use of funding raised from previous fund raising exercise of the Company is as follows:

No.	The net proceeds Percentage (%)	Use of proceeds	Estimated amounts used (RMB)	Estimated amounts used after changing the use of proceeds on 10 June 2017 (RMB)	Actual amounts used (RMB)
1	Approximately 35%	To enhance, expand and integrate the Company's current distribution network and capability	Approximately 55.62 million	Approximately 45.62 million	27.54 million
2	Approximately 10%	To improve and promote the Company's B2B platform	Approximately 15.89 million	Approximately 11.89 million	9.88 million
3	Approximately 30%	To repay the bank borrowings	Approximately 47.67 million	Approximately 47.67 million	47.67 million
4	Approximately 15%	To acquire the medical distribution business in Southern China	Approximately 23.84 million	Approximately 37.84 million	36.00 million
5	Approximately 10%	To use as working capital and general corporate purposes	Approximately 15.89 million	Approximately 15.89 million	15.89 million
Total	100%	–	Approximately 158.91 million	Approximately 158.91 million	136.98 million



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CHARMACY PHARMACEUTICAL CO., LTD.

創美藥業股份有限公司

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

(Stock Code: 2289)

NOTICE OF THE 2017 FIRST EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "EGM") of Charmacy Pharmaceutical Co., Ltd. (the "Company") will be held at 10 a.m. on Tuesday, 5 September 2017 at Conference Room on 3rd Floor, No. 235 Song Shan North Road, Longhu District, Shantou City, Guangdong Province, the People's Republic of China for the purpose of considering and, if thought fit, passing the following resolutions:

AS ORDINARY RESOLUTIONS

1. to consider and approve the proposed amendments to the rules of procedures of general meetings of the Company;
2. to consider and approve the proposed amendments to the rules of procedures of the board (the "Board") of directors (the "Directors") of the Company;
3. to consider and approve the proposed amendments to the administration system of related transactions;
4. to consider and approve the proposed amendments to the administration system of external guarantee;
5. to consider and approve the proposed amendments to the administration system of external investment;
6. to consider and approve the proposed amendments to the system concerning the duties of independent Directors;
7. to consider and approve the formulation of the administration system of raised funds;
8. to consider and approve the formulation of the administration system of prevention of major shareholders and related parties from occupying funds;
9. to consider and approve the projected daily related transactions of the Company in 2017;
10. to consider and approve the proposed re-modification of the use of proceeds from the global offering; and

NOTICE OF THE 2017 FIRST EXTRAORDINARY GENERAL MEETING

11. to consider and approve the appointment of Mr. Lin Zhijie as the shareholders' representative supervisor of the first session of the supervisory committee of the Company to hold office from the date on which this resolution is passed until the end of the first session of the supervisory committee of the Company and to authorise any one executive Director to enter into a service contract on behalf of the Company with Mr. Lin Zhijie to comply with such terms and conditions as the Board shall think fit and to do all such acts and things to give effect to such matters.

AS SPECIAL RESOLUTIONS

12. to consider and approve the proposal of the Company's application of public offering and listing of Renminbi Ordinary Shares (the "A Shares") (the "A Share Offering"):
 - 12.1 classes of shares;
 - 12.2 nominal value per share;
 - 12.3 proposed stock exchange for the listing of the A Shares;
 - 12.4 proposed offering size;
 - 12.5 target subscriber;
 - 12.6 method of offering;
 - 12.7 pricing methodology;
 - 12.8 form of underwriting;
 - 12.9 conversion into a joint stock company with limited liability and domestically and overseas listed shares; and
 - 12.10 validity period of the resolutions for the proposal of the A Share Offering;
13. to consider and approve the proposed amendments to the (draft) articles of association of the Company;
14. to consider and approve the feasibility plan on the investment projects using the proceeds from the A Share Offering;
15. to consider and approve the accumulated profit distribution plan before the A Share Offering;

NOTICE OF THE 2017 FIRST EXTRAORDINARY GENERAL MEETING

16. to consider and approve the authorisation to the Board to deal with matters in connection with the Company's application of initial public offering and listings of A Shares at its full discretion;
17. to consider and approve the planning of dividend and return to shareholders within three years after the A Share Offering;
18. to consider and approve the price stabilising budget and undertakings for the A Shares of the Company within three years after the A Share Offering;
19. to consider and approve the remedial plan and relevant undertakings on dilution of immediate return arising from the A Share Offering;
20. to consider and approve the undertakings on matters in connection with the A Share Offering and listings and proposed corresponding restrictive measures;
21. to consider and approve the use of raised funds of the initial public offering of the Company's overseas listed foreign shares (the "**H Shares**") in the share capital of the Company, which are listed on the main board of The Stock Exchange of Hong Kong Limited with a nominal value of RMB1.00 (the "**H Share Offering**");
22. to consider and approve the termination of the issuance of additional H Shares; and
23. to consider and, if thought fit, approve the proposed amendments to the articles of association of the Company (please refer to Appendix 1), and to authorise any Director to modify the wordings of such amendments as appropriate (such amendments will not be required to be approved by the Shareholders of the Company) and execute all such documents and/or do all such acts as the Directors may, in their absolute discretion, deem necessary or expedient and in the interest of the Company in order to deal with other related issues arising from the amendments to the articles of association of the Company.

By order of the Board
Charmacy Pharmaceutical Co., Ltd.
Yao Chuanglong
Chairman

Hong Kong, 20 July 2017

NOTICE OF THE 2017 FIRST EXTRAORDINARY GENERAL MEETING

Notes:

1. All resolutions at the meeting will be taken by poll pursuant to the Listing Rules. The results of the poll will be published on the websites of The Stock Exchange of Hong Kong Limited and the Company in accordance with the Listing Rules.
2. The register of members of the Company will be closed from Saturday, 5 August, 2017 to Tuesday, 5 September, 2017 (both days inclusive), during which period no transfer of shares of the Company can be registered. In order to qualify to attend and vote at the EGM, all transfer documents accompanied by the relevant share certificates must be lodged with the H share registrar of the Company, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong (for holders of H Shares) or the headquarters in the PRC of the Company (for holders of domestic shares of the Company), no later than 4:30 p.m. on Friday, 4 August, 2017.
3. Shareholders who intend to attend the EGM should complete the reply slip and return it by hand, by post, by email or by fax to the H share registrar of the Company (for holders of H Shares) or the head office in the PRC of the Company (for holders of domestic shares of the Company) on or before Wednesday, 16 August, 2017.
4. Shareholders who are entitled to attend and vote at the EGM may appoint one or more proxies to attend and vote on their behalves. A proxy need not be a shareholder of the Company ("**Shareholder(s)**").
5. The instrument appointing a proxy must be in writing under the hand of a Shareholder or his attorney duly authorised in writing. If the Shareholder is a legal person, that instrument must be executed either under its seal or under the hand of its director or other attorney duly authorised to sign the same on its behalf.
6. In order to be valid, the proxy form for the EGM must be deposited by hand or post, for holders of H shares of the Company, to the H share registrar of the Company, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong and, for holders of domestic shares of the Company, to the headquarters in the PRC of the Company not less than 24 hours (i.e. not later than 10 a.m. on Monday, 4 September 2017) before the time for holding the EGM (or any adjournment thereof) for taking the poll. If the proxy form is signed by a person under a power of attorney or other authority, a notarial copy of that power of attorney or authority shall be deposited at the same time as mentioned in the proxy form. Completion and return of the proxy form will not preclude Shareholders from attending and voting in person at the EGM or any adjourned meetings should they so wish.

If the proxy is a legal person, its legal representative or any representative authorised by a resolution of its board of directors or by other governing body shall attend the above meeting of the Company on its behalf. If the Shareholder is a recognised clearing house (or its proxy) defined by the Hong Kong relevant Ordinance from time to time, the Shareholder may authorise one or more persons it considers appropriate as its representative(s) at the above meeting; however, if more than one person are authorized, the power of attorney shall contain the number and class of shares for which such persons are authorized, and shall be signed by an authorised personnel of the recognised clearing house. The person(s) so authorised can represent the recognised clearing house (or its proxy) to attend the meeting and exercise its right, as if the persons are the Company's individual shareholders, and shall not be required to produce evidence of shareholding, the notarised power of attorney and/or further evidence to prove that he/she/they have been duly authorised.

A vote provided in according to the instruments in such proxy forms shall be valid, notwithstanding the previous death or loss of capacity of the appointer or the revocation of the proxy or of the authority under which the proxy was executed, or the transfer of the shares with respect to which the proxy is given, provided that no notice in writing of such matters shall have been received by the Company prior to the above meeting.

7. In case of joint Shareholder for any share, only the person whose name is at the first place on the register of Shareholders has the rights to receive the certificate of relevant shares and notice from the Company and to attend or exercise all of the votes relating to the shares.

NOTICE OF THE 2017 FIRST EXTRAORDINARY GENERAL MEETING

8. The address of the headquarters in the PRC of the Company is No. 235, Song Shan North Road, Longhu District, Shantou City, Guangdong Province, the PRC.
9. Shareholders or their proxies shall provide their identity documents when attending the EGM. If corporate Shareholders appoint authorised representative to attend the EGM, the authorised representative shall produce his/her identity documents and a notarial copy of the relevant authorisation instrument signed by the Board or other authorised parties of the corporate Shareholders or other notarial documents allowed by the Company. Proxies shall produce their identity documents and the proxy form signed by the Shareholders or their attorney when attending the EGM.
10. Shareholders attending the EGM shall bear their own traveling and accommodation expenses.

As at the date of this notice, the executive Directors are Mr. Yao Chuanglong, Ms. Zheng Yuyan and Mr. Lin Zhixiong; the non-executive Directors are Ms. You Zeyan and Mr. Li Weisheng; and the independent non-executive Directors are Mr. Wan Chi Wai Anthony, Mr. Zhou Tao and Mr. Guan Jian (also known as Guan Suzhe).

APPENDIX 1

The special resolution on the amendment of the Articles of Association, details of which are set out as follows:

Article 10.1

which originally read as:

“The company shall establish a board, which shall be accountable to and report to the general meeting. The board shall consist of not less than eight directors, of which the external directors (hereinafter referred to directors who do not hold any office within the Company) shall represent not less than 50 percent of the members of the Board of Directors. Independent non-executive directors (hereinafter referred to directors who are independent to the shareholders and do not hold any office within the Company) shall represent at least one-third of the members of the Board of Directors.

The Board of Directors shall have one chairman and one vice chairman.”

is amended as follows:

“The company shall establish a board, which shall be accountable to and report to the general meeting. The board shall consist of seven directors, of which the external directors (hereinafter referred to directors who do not hold any office within the Company) shall represent not less than 50 percent of the members of the Board of Directors. Independent non-executive directors (hereinafter referred to directors who are independent to the shareholders and do not hold any office within the Company) shall represent at least one-third of the members of the Board of Directors.

The Board of Directors shall have one chairman and one vice chairman.”



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**NOTICE OF THE 2017 FIRST DOMESTIC SHAREHOLDERS'
CLASS MEETING**

NOTICE IS HEREBY GIVEN that the class meeting (the “**Domestic Shareholders’ Class Meeting**”) of the holders of domestic shares (the “**Domestic Shares**”) of Charmacy Pharmaceutical Co., Ltd. (the “**Company**”) will be held at the later of 10:30 a.m. on Tuesday, 5 September 2017 at Conference Room on 3rd Floor, No. 235 Song Shan North Road, Longhu District, Shantou City, Guangdong Province, the People’s Republic of China or immediately after the conclusion of the extraordinary general meeting (the “**EGM**”) of the Company held at the same date or any adjournment thereof for the purpose of considering and, if thought fit, passing the following resolutions:

SPECIAL RESOLUTIONS

1. to consider and approve the proposal of the Company’s application of public offering and listing of Renminbi Ordinary Shares (the “**A Shares**”) (the “**A Share Offering**”):
 - 1.1 classes of shares;
 - 1.2 nominal value per share;
 - 1.3 proposed stock exchange for the listing of the A Shares;
 - 1.4 proposed offering size;
 - 1.5 target subscriber;
 - 1.6 method of offering;
 - 1.7 pricing methodology;
 - 1.8 form of underwriting;
 - 1.9 conversion into a joint stock company with limited liability and domestically and overseas listed shares; and

NOTICE OF THE 2017 FIRST DOMESTIC SHAREHOLDERS' CLASS MEETING

- 1.10 validity period of the resolutions for the proposal of the A Share Offering;
2. to consider and approve the proposed amendments to the (draft) articles of association of the Company;
3. to consider and approve the feasibility plan on the investment projects using the proceeds from the A Share Offering;
4. to consider and approve the accumulated profit distribution plan before the A Share Offering;
5. to consider and approve the authorisation to the Board to deal with matters in connection with the Company's application of initial public offering and listings of A Shares at its full discretion;
6. to consider and approve the planning of dividend and return to shareholders within three years after the A Share Offering;
7. to consider and approve the price stabilising budget and undertakings for the A Shares of the Company within three years after the A Share Offering;
8. to consider and approve the remedial plan and relevant undertakings on dilution of immediate return arising from the A Share Offering;
9. to consider and approve the undertakings on matters in connection with the A Share Offering and listings and proposed corresponding restrictive measures;
10. to consider and approve the use of raised funds of the initial public offering of the Company's overseas listed foreign shares (the "**H Shares**") in the share capital of the Company, which are listed on the main board of The Stock Exchange of Hong Kong Limited with a nominal value of RMB1.00 (the "**H Share Offering**"); and
11. to consider and approve the termination of the issuance of additional H Shares.

By order of the Board
Charmacy Pharmaceutical Co., Ltd.
Yao Chuanglong
Chairman

Guangdong Province, the PRC, 20 July 2017

NOTICE OF THE 2017 FIRST DOMESTIC SHAREHOLDERS' CLASS MEETING

Notes:

1. All resolutions at the meeting will be taken by poll.
2. The register of members of the Company will be closed from Saturday, 5 August, 2017 to Tuesday, 5 September, 2017 (both days inclusive), during which period no transfer of shares of the Company can be registered. In order to qualify to attend and vote at the Domestic Shareholders' Class Meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the headquarters in the PRC of the Company at No. 235, Song Shan North Road, Longhu District, Shantou City, Guangdong Province, PRC, no later than 4:30 p.m. on Friday, 4 August, 2017.
3. Domestic shareholders who intend to attend the Domestic Shareholders' Class Meeting should complete the reply slip and return it by hand or by post to the headquarters in the PRC of the Company on or before Wednesday, 16 August, 2017.
4. Domestic shareholders who are entitled to attend and vote at the Domestic Shareholders' Class Meeting may appoint one or more proxies to attend and vote on their behalves. A proxy need not be a domestic shareholder of the Company.
5. The instrument appointing a proxy must be in writing under the hand of a domestic shareholder or his attorney duly authorised in writing. If the domestic shareholder is a legal person, that instrument must be executed either under its seal or under the hand of its director or other attorney duly authorised to sign the same on its behalf.
6. In order to be valid, the proxy form for the Domestic Shareholders' Class Meeting must be deposited by hand or post to the headquarters in the PRC of the Company not less than 24 hours (i.e. not later than 10:30 a.m. on Monday, 4 September 2017) before the time for holding the Domestic Shareholders' Class Meeting (or any adjournment thereof) for taking the poll. If the proxy form is signed by a person under a power of attorney or other authority, a notarial copy of that power of attorney or authority shall be deposited at the same time as mentioned in the proxy form. Completion and return of the proxy form will not preclude shareholders from attending and voting in person at the Domestic Shareholders' Class Meeting or any adjourned meetings should they so wish.

If the proxy is a legal person, its legal representative or any representative authorised by a resolution of its board of directors or by other governing body shall attend the above meeting of the Company on its behalf. If the domestic shareholder is a recognised clearing house (or its proxy) defined by the Hong Kong relevant Ordinance from time to time, the domestic shareholder may authorise one or more persons it considers appropriate as its representative(s) at the above meeting; however, if more than one person are authorised, the power of attorney shall contain the number and class of shares for which such persons are authorised, and shall be signed by an authorised personnel of the recognised clearing house. The person(s) so authorised can represent the recognised clearing house (or its proxy) to attend the meeting and exercise its right, as if the persons are the Company's individual shareholders, and shall not be required to produce evidence of shareholding, the notarised power of attorney and/or further evidence to prove that he/she/they have been duly authorised.

A vote provided in according to the instruments in such proxy forms shall be valid, notwithstanding the previous death or loss of capacity of the appointer or the revocation of the proxy or of the authority under which the proxy was executed, or the transfer of the shares with respect to which the proxy is given, provided that no notice in writing of such matters shall have been received by the Company prior to the above meeting.

NOTICE OF THE 2017 FIRST DOMESTIC SHAREHOLDERS' CLASS MEETING

7. In case of joint shareholder for any domestic share, only the person whose name is at the first place on the register of shareholders has the rights to receive the certificate of relevant shares and notice from the Company and to attend or exercise all of the votes relating to the shares.
8. Domestic shareholders or their proxies shall provide their identity documents when attending the Domestic Shareholders' Class Meeting. If corporate domestic shareholders appoint authorised representative to attend the Domestic Shareholders' Class Meeting, the authorised representative shall produce his/her identity documents and a notarial copy of the relevant authorisation instrument signed by the Board or other authorised parties of the corporate Shareholders or other notarial documents allowed by the Company. Proxies shall produce their identity documents and the proxy form signed by the Shareholders or their attorney when attending the Domestic Shareholders' Class Meeting.
9. Domestic shareholders attending the Domestic Shareholders' Class Meeting shall bear their own traveling and accommodation expenses.

As at the date of this notice, the executive Directors are Mr. Yao Chuanglong, Ms. Zheng Yuyan and Mr. Lin Zhixiong; the non-executive Directors are Ms. You Zeyan and Mr. Li Weisheng; and the independent non-executive Directors are Mr. Wan Chi Wai Anthony, Mr. Zhou Tao and Mr. Guan Jian (also known as Guan Suzhe).



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(Stock Code: 2289)

NOTICE OF THE 2017 FIRST H SHAREHOLDERS' CLASS MEETING

NOTICE IS HEREBY GIVEN that the class meeting (the “**H Shareholders' Class Meeting**”) of the holders of H shares (the “**H Shares**”) of Charmacy Pharmaceutical Co., Ltd. (the “**Company**”) will be held at the later of 11 a.m. on Tuesday, 5 September 2017 at Conference Room on 3rd Floor, No. 235 Song Shan North Road, Longhu District, Shantou City, Guangdong Province, the People's Republic of China or immediately after the conclusion of the class meeting of the holders of domestic shares (the “**Domestic Shares**”) of the Company (the “**Domestic Shareholders' Class Meeting**”, together with the H Shareholders' Class Meeting, the “**Class Meetings**”) held at the same date or any adjournment thereof for the purpose of considering and, if thought fit, passing the following resolutions:

SPECIAL RESOLUTIONS

1. to consider and approve the proposal of the Company's application of public offering and listing of Renminbi Ordinary Shares (the “**A Shares**”) (the “**A Share Offering**”):
 - 1.1 classes of shares;
 - 1.2 nominal value per share;
 - 1.3 proposed stock exchange for the listing of the A Shares;
 - 1.4 proposed offering size;
 - 1.5 target subscriber;
 - 1.6 method of offering;
 - 1.7 pricing methodology;
 - 1.8 form of underwriting;
 - 1.9 conversion into a joint stock company with limited liability and domestically and overseas listed shares; and

NOTICE OF THE 2017 FIRST H SHAREHOLDERS' CLASS MEETING

- 1.10 validity period of the resolutions for the proposal of the A Share Offering;
2. to consider and approve the proposed amendments to the (draft) articles of association of the Company;
3. to consider and approve the feasibility plan on the investment projects using the proceeds from the A Share Offering;
4. to consider and approve the accumulated profit distribution plan before the A Share Offering;
5. to consider and approve the authorisation to the Board to deal with matters in connection with the Company's application of initial public offering and listings of A Shares at its full discretion;
6. to consider and approve the planning of dividend and return to shareholders within three years after the A Share Offering;
7. to consider and approve the price stabilising budget and undertakings for the A Shares of the Company within three years after the A Share Offering;
8. to consider and approve the remedial plan and relevant undertakings on dilution of immediate return arising from the A Share Offering;
9. to consider and approve the undertakings on matters in connection with the A Share Offering and listings and proposed corresponding restrictive measures;
10. to consider and approve the use of raised funds of the initial public offering of the Company's overseas listed foreign shares (the "**H Shares**") in the share capital of the Company, which are listed on the main board of The Stock Exchange of Hong Kong Limited with a nominal value of RMB1.00 (the "**H Share Offering**"); and
11. to consider and approve the termination of the issuance of additional H Shares.

By order of the Board
Charmacy Pharmaceutical Co., Ltd.
Yao Chuanglong
Chairman

Guangdong Province, the PRC, 20 July 2017

NOTICE OF THE 2017 FIRST H SHAREHOLDERS' CLASS MEETING

Notes:

1. All resolutions at the meeting will be taken by poll.
2. The register of members of the Company will be closed from Saturday, 5 August, 2017 to Tuesday, 5 September, 2017 (both days inclusive), during which period no transfer of shares of the Company can be registered. In order to qualify to attend and vote at the H Shareholders' Class Meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the H share registrar of the Company, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, no later than 4:30 p.m. on Friday, 4 August, 2017.
3. H shareholders who intend to attend the H Shareholders' Class Meeting should complete the reply slip and return it by hand, by post, by email or by fax to the H share registrar of the Company on or before Wednesday, 16 August, 2017.
4. H shareholders who are entitled to attend and vote at the H Shareholders' Class Meeting may appoint one or more proxies to attend and vote on their behalves. A proxy need not be a H shareholder of the Company.
5. The instrument appointing a proxy must be in writing under the hand of a H shareholder or his attorney duly authorised in writing. If the H shareholder is a legal person, that instrument must be executed either under its seal or under the hand of its director or other attorney duly authorised to sign the same on its behalf.
6. In order to be valid, the proxy form for the H Shareholders' Class Meeting must be deposited by hand or post, for holders of H shares of the Company, to the H share registrar of the Company, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not less than 24 hours (i.e. not later than 11 a.m. on Monday, 4 September 2017) before the time for holding the H Shareholders' Class Meeting (or any adjournment thereof) for taking the poll. If the proxy form is signed by a person under a power of attorney or other authority, a notarial copy of that power of attorney or authority shall be deposited at the same time as mentioned in the proxy form. Completion and return of the proxy form will not preclude shareholders from attending and voting in person at the H Shareholders' Class Meeting or any adjourned meetings should they so wish.

If the proxy is a legal person, its legal representative or any representative authorised by a resolution of its board of directors or by other governing body shall attend the above meeting of the Company on its behalf. If the H shareholder is a recognised clearing house (or its proxy) defined by the Hong Kong relevant Ordinance from time to time, the H shareholder may authorise one or more persons it considers appropriate as its representative(s) at the above meeting; however, if more than one person are authorised, the power of attorney shall contain the number and class of shares for which such persons are authorised, and shall be signed by an authorised personnel of the recognised clearing house. The person(s) so authorised can represent the recognised clearing house (or its proxy) to attend the meeting and exercise its right, as if the persons are the Company's individual shareholders, and shall not be required to produce evidence of shareholding, the notarised power of attorney and/or further evidence to prove that he/she/they have been duly authorised.

A vote provided in according to the instruments in such proxy forms shall be valid, notwithstanding the previous death or loss of capacity of the appointer or the revocation of the proxy or of the authority under which the proxy was executed, or the transfer of the shares with respect to which the proxy is given, provided that no notice in writing of such matters shall have been received by the Company prior to the above meeting.

NOTICE OF THE 2017 FIRST H SHAREHOLDERS' CLASS MEETING

7. In case of joint shareholder for any H share, only the person whose name is at the first place on the register of shareholders has the rights to receive the certificate of relevant shares and notice from the Company and to attend or exercise all of the votes relating to the shares.
8. H shareholders or their proxies shall provide their identity documents when attending the H Shareholders' Class Meeting. If corporate H shareholders appoint authorised representative to attend the H Shareholders' Class Meeting, the authorised representative shall produce his/her identity documents and a notarial copy of the relevant authorisation instrument signed by the Board or other authorised parties of the corporate Shareholders or other notarial documents allowed by the Company. Proxies shall produce their identity documents and the proxy form signed by the Shareholders or their attorney when attending the H Shareholders' Class Meeting.
9. H shareholders attending the H Shareholders' Class Meeting shall bear their own traveling and accommodation expenses.

As at the date of this notice, the executive Directors are Mr. Yao Chuanglong, Ms. Zheng Yuyan and Mr. Lin Zhixiong; the non-executive Directors are Ms. You Zeyan and Mr. Li Weisheng; and the independent non-executive Directors are Mr. Wan Chi Wai Anthony, Mr. Zhou Tao and Mr. Guan Jian (also known as Guan Suzhe).