

Measures for Administration of Material Assets Reorganization of Listed Companies

Chapter 1 General Provisions

Article 1 The Measures are formulated according to such laws and administrative regulations as the Company Law and the Securities Law to regulate material assets reorganization activities, protect the legitimate rights and interests of listed companies and investors, improve continuously the quality of listed companies, maintain the order of the securities market and safeguard the public interest.

Article 2 The Measures apply to assets transaction activities (hereinafter referred to as “material assets reorganization”) including the purchases and sales of assets, or assets transaction of other forms that are conducted by listed companies and companies that control them or controlled by them outside their daily business operations and that have reached the prescribed percentages, thus causing major changes in the core business, assets and income of listed companies.

Purchases of assets through issuing shares by listed companies shall comply with provisions of the Measures.

The Measures are not applicable to activities of purchasing assets or making investment overseas by listed companies using the raised fund in accordance with the usage of the raised fund disclosed in the securities issuance documents approved by China Securities Regulatory Commission (hereinafter referred to “the CSRC”).

Article 3 Any units or individuals shall not use the material assets reorganization to damage the lawful rights of listed companies and their shareholders.

Article 4 Where listed companies conduct material assets reorganization, interested parties shall disclose or provide information in a timely and fair manner, guarantee the authenticity, accuracy and integrity of the information disclosed or provided, and ensure that there are no falsified description, misleading statements or major omissions.

Article 5 During the material assets reorganization the directors, supervisors and senior

managers of listed companies shall be honest, credible, diligent and dutiful to safeguard the company assets and to protect the legitimate rights and interests of the company and all the shareholders.

Article 6 Securities service organs and personnel that provide service for material assets reorganization shall abide by the laws, the administrative regulations and relevant provisions of the CSRC, follow the generally recognized business and ethical standards of the industry and strictly perform duties, and shall not seek illegitimate interests; they shall also assume responsibility for the authenticity, accuracy and integrity of the documents produced and issued by them.

Article 7 Any units and individuals have the obligation to keep the information of material assets reorganization known to them confidential before the disclosure according to the law. Any units and individuals are forbidden to use the information of material assets reorganization to conduct unlawful activities such as inside dealings and manipulation of the securities market.

Article 8 The CSRC shall supervise material assets reorganization of listed companies according to the law.

Article 9 The CSRC shall set up a Review Committee of Merger, Acquisition and Reorganization of Listed Companies (hereinafter referred to as the “review committee”) in the Issuance Examination Committee, and shall vote on the material assets reorganization application submitted by the review committee and provide review opinions.

Chapter 2 Principles and Standards for Material Assets Reorganization

Article 10 A listed company intending to conduct material assets reorganization shall meet the following requirements:

- (1) The reorganization complies with the state’s industrial policy and laws and administrative regulations relating to environmental protection, land management and anti-monopoly;
- (2) The reorganization will not cause the listed company’s failure to meet the conditions for listing stocks for trade;
- (3) Fair price will be for the assets involved in the material assets reorganization and there are no circumstances that can damage the legitimate rights and interests of the listed company and the shareholders;
- (4) Assets involved in the material assets reorganization have clear ownership and there are no legal obstacles to assets ownership transfer or transfer; relevant handling of credits and debts is legal;
- (5) The reorganization is conducive to enhancing the listed company’s capability of sustainable

business operation; there will not be situations where the key assets of the listed company after the reorganization are cash or there is no specific business;

(6) The reorganization shall enable the listed company to be independent from the actual controllers and their affiliates in aspects of business operation, assets, finance, personnel and organization, and to comply with relevant provisions of the CSRC regarding the independence of listed companies; and

(7) The reorganization shall help the listed company to form or maintain healthy and effective corporate governance.

Article 11 If the purchase or sales of assets by a listed company or the company it controls or controlled by it meets one of the following standards, a material assets reorganization is constituted:

(1) Total assets purchased or sold account for not less than 50% of the total assets in the audited consolidated financial statement of the last fiscal year of the listed company;

(2) The business income generated in the last fiscal year by the assets purchased or sold accounts for not less than 50% of the business income of the listed company in the audited consolidated statement of the last fiscal year of the listed company;

(3) Net value of the assets purchased or sold accounts for not less than 50% of the net value of the total assets at the year end in the audited consolidated statement of the last fiscal year of the listed company and exceeds RMB50 million.

If the assets purchased or sold do not reach the aforesaid stipulated standards, but the CSRC finds that there may be major issues that could damage the legitimate rights and interests of the listed company or the investors, according to the principle of prudent supervision, it can order the listed company to disclose extra relevant information, suspend the transaction and submit application documents.

Article 12 The following stipulations shall be followed when calculating the percentages stated in the previous article:

(1) If the assets purchased are equity, the total amount of the assets is the product of the total amount of the assets of the invested enterprise and the equity percentage of the investment or the transaction amount, whichever is higher; the business income is the product of the business income of the invested enterprise and the equity percentage of the investment; net assets amount is the product of the total net assets of the invested enterprise and the equity percentage of the investment or the transaction amount, whichever is higher; if the assets sold are equity, the total assets, business income

and net assets are respectively the product of total assets, business income and net assets of the invested enterprise and the equity percentage of the investment.

If the purchase of the assets causes the listed company to have the controlling equity of the invested enterprise, the total amount of the assets is the total amount of the assets of the invested enterprise or the transaction amount, whichever is higher; the business income is the business income of the invested enterprise, and the net assets are the net assets of the invested enterprise or the transaction amount, whichever is higher; if the sales of the assets causes the listed company to lose the control right of the invested enterprise, the total assets, business income and net assets are respectively the total assets, business income and net assets of the invested enterprise.

(2) If the assets purchased are non-equity assets, the total amount is the book value of the assets or the transaction amount, whichever is higher, and the net value of assets is the difference between the related assets and the book value of the liabilities or the transaction amount, whichever is higher; if the assets sold are non-equity assets, the total assets and the net assets are respectively the book value of the assets and the difference between the related assets and the book value of the liabilities; if the non-equity assets do not involve liabilities, the standard for net assets stipulated in Clause (3) of the previous Article does not apply.

(3) If the listed company purchases and sells assets at the same time, relevant percentages of the assets purchase and sales shall be calculated separately, and the higher percentage of the two applies.

(4) If the listed company purchases and sells the same or related assets consecutively within 12 months, relevant amounts shall be calculated separately based on the accumulative amounts. However, assets transaction activities that have been submitted to and approved by the CSRC in accordance with the provisions of the Measures do not need to be included in the accumulative calculation.

If the assets for transaction are owned or controlled by the same dealing party, or are in the same or similar business scope, or fall within other circumstances recognized by the CSRC, they can be deemed as the same or related assets.

Article 13 Assets transaction of other forms stated in Article 2 of the Measures include:

(1) Establishing new enterprises in cooperation with other people, increasing or decreasing investment in enterprises that have been set up;

- (2) Being entrusted to manage or lease the assets of other enterprises or entrusting the operational assets with other people for management or lease;
- (3) Accepting assets donation with obligations or donating assets;
- (4) Other circumstances determined by the CSRC according to the principle of prudent supervision.

Where the aforesaid assets transactions substantively constitute assets purchases and sales, and if relevant percentages calculated according to the standard stipulated by the Measures reach and exceed 50%, relevant obligations such as information disclosure shall be performed in accordance with the provisions of the Measures and application documents shall be submitted for approval.

Chapter 3 Procedures for Material Assets Reorganization

Article 14 When the listed company conducts initial discussions with the dealing party on the material assets reorganization, it shall immediately take necessary and sufficient confidentiality measures, formulate strict and effective confidentiality system, and restrict distribution scope of relevant sensitive information. If the listed company and the dealing party retain securities service organs, they shall sign confidentiality agreement with the securities service organs immediately.

If before the public announcement of the decision of material assets reorganization of the board of directors of the listed company, relevant information has been spread in the media or there are abnormal fluctuations in the stocks transaction of the listed company, the listed company shall immediately make public announcement on the relevant plans, schemes or the status of relevant matters, relevant progress and risk factors, and handle other related matters according to relevant information disclosure rules.

Article 15 The listed company shall retain such securities service organs as independent financial consultants, law firms and accounting firms with qualification for securities business to give opinions regarding the material assets reorganization.

The independent financial consultants and law firms shall prudently examine whether the material

assets reorganization constitutes affiliate transaction and provide explicit opinions based on the related verified and confirmed facts. If the material assets reorganization involves affiliate transaction, the independent financial consultants shall express explicit opinions regarding the impact of the assets reorganization on the non-affiliated shareholders of the listed companies.

Where the price of the transaction price is based on the assets evaluation results, the listed company shall retain assets evaluation organs with qualification for securities business to issue assets evaluation report.

Where the securities service organ adopts the professional opinions of other securities service organs or personnel in the opinions it gives, it shall still conduct due diligence, prudently examine the content of the professional opinions adopted, and assume responsibility for the conclusion formed using the professional opinions of the other securities service organs or personnel.

Article 16 After the listed company signs the contract with the securities service organ, it shall not change the securities service organ without a legitimate reason. If the securities service organ needs to be changed for a legitimate reason, the specific reason for the change and the statement of the securities service organ shall be disclosed in the application materials.

Article 17 Where the listed company purchases assets, it shall provide a profit forecast of the assets to be purchased. Where the listed company intends to conduct material assets reorganization stipulated in items (1) and (2) of Clause 1 of Article 27 and to issue shares for the acquisition of assets, the profit forecast report of the listed company shall also be provided. The profit forecast report shall be examined by accounting firms with qualification for securities business.

Where the listed company has sufficient reasons for the failure to provide the above mentioned profit forecast report, reasons must be stated and special risk notice shall be given in the material assets reorganization report of the listed company (or the report on the issuance of shares for the acquisition of assets, similarly hereafter), and the impact of the assets reorganization on the listed company's sustainable business capability and future development prospects shall be analyzed in detail in the section of Discussion and Analysis by the Management.

Article 18 Where related assets of the material assets reorganization are priced based on the assets evaluation result, in principle the assets evaluation organs shall adopt at least two evaluation methods for the evaluation.

The board of directors of the listed company shall give explicit opinions regarding the independence of the evaluation organ, the rationality of the evaluation assumptions, the correlation between the evaluation methods and the evaluation purpose, and the fairness of the evaluated price. The board of directors of the listed company shall give independent opinions regarding the independence of the evaluation organ, the rationality of the evaluation assumptions and the fairness of the evaluated price.

Article 19 For the listed company to have material assets reorganization, the board of directors shall make a decision according to the law and submit it to the general meeting of shareholders for approval.

The board of directors of the listed company shall make an explicit judgment whether the material assets reorganization constitutes affiliate transaction and disclose it as a matter of the decision of the board of directors.

The independent directors of the listed company shall give independent opinions on the material assets reorganization based on their full understanding of the relevant information. Where the material assets reorganization constitutes affiliate transaction, the independent directors can separately retain independent financial consultants to give opinions on the influence of the transaction on the non-affiliated shareholders of the listed company. The listed company shall proactively work with the independent directors in their requesting and reading relevant information, and provide necessary support and convenience for the performance of obligations by the independent directors through various ways such as arranging spot investigation and organizing debrief by the securities service organs.

Article 20 The listed company shall at least disclose on the next workday after the board of directors makes the decision on the material assets reorganization the following documents, and at the same time submit copies to the local agency of the CSRC in the place of residence of the listed company (hereinafter referred to as “the local agency”):

- (1) The decision of the board of directors and the opinions of the independent directors;
- (2) Preplan of the material assets reorganization of the listed company.

The report of the material assets reorganization, the report of the independent financial consultants, the statement of legal opinions, the audit report related to the reorganization, the assets evaluation report and the profit forecast report that has been examined shall be publicly announced latest

together with the notice to call the general meeting of shareholders.

The content and format of the information disclosure documents stipulated in item (2) of Clause 1 and Clause 2 of this Article shall be separately determined.

The listed company shall make public announcement of the decision of the board of directors, the opinions of the independent directors and the abstract of the report on the material assets reorganization at least in one of the press designated by the CSRC, and shall disclose the full text of the report on the material assets reorganization and the report or opinions of relevant securities service organs in the website of the stock exchange.

Article 21 The decision on the material assets reorganization made by the general meeting of the shareholders of the limited company shall at least include the following:

- (1) The way of the material assets reorganization, assets for the transaction and the dealing party;
- (2) The transaction price or the price range;
- (3) The price setting method and the basis for the price setting;
- (4) The owner of the loss or benefit of the related assets between the base day for price setting and the settlement day;
- (5) The contractual obligations and default responsibilities for handling the ownership transfer of the related assets;
- (6) The validity of the decision;
- (7) Specific authorization to the board of directors for handling the material assets reorganization;
- (8) Other matters that need to be specified.

Article 22 The decision on the material assets reorganization by the general meeting of the shareholders of the listed company can only be made with at least 2/3 of the voting right of the shareholders participating in the meeting.

Where there is affiliation relationship between the material assets reorganization of the listed company and the shareholders of the listed company or their affiliates, the affiliated shareholders shall withdraw from voting when the general meeting of shareholders takes a vote on the material assets reorganization.

Where the dealing party has reached an agreement or consensus with the controlling shareholder of

the listed company on the assignment of the equity of the listed company or on the recommending of directors to the listed company, which may result in the change of the actual controlling right of the listed company, the controlling shareholders of the listed company and their affiliates shall withdraw from voting.

The general meeting of shareholders called by the listed company on the material assets reorganization shall be in the form of a actual meeting, and convenience shall be provided to the shareholders for attending the general meeting of shareholders through internet voting or other lawful means.

Article 23 The listed company shall make public announcement on the decision made by the general meeting of shareholders on the material assets reorganization on the next workday after the decision is made, and shall compile application documents according to relevant provisions of the CSRC, retain independent financial consultants to submit the documents to the CSRC within three workdays, and at the same time submit the copies of the documents to the local agency of the CSRC.

Article 24 All the directors, supervisors and senior managers of the listed company shall make a commitment and guarantee there are no falsified description, misleading statements or major omissions in the application documents of the material assets reorganization.

Article 25 The CSRC shall make a decision on whether or not to approve the material assets reorganization in accordance with legal conditions and procedures.

Where the CSRC, within the period of examination and verification, requests the listed company to submit written explanation or statement, the listed company shall within 30 days after receiving the feedback of the CSRC provide reply in writing, and the independent financial consultants shall work with the listed company to provide the reply in writing. If no reply is provided in the prescribed period, the listed company shall on the next day of the expiry day make public announcement of the progress of the material assets reorganization and the specific reasons for the failure in timely providing the reply.

Article 26 During the period of examination and verification by the CSRC, if the listed company intends to make changes in such aspects as the dealing party, the transaction assets and the transaction price which constitute major adjustment to the material assets reorganization, it shall be resubmitted to the general meeting of shareholders after the board of directors makes the decision. Application documents regarding the material assets reorganization shall be resubmitted to the CSRC according to the provisions of the Measures, and at the same time public announcement shall be

made.

During the period of examination and verification by the CSRC, if the board of directors of the listed company makes a decision to discontinue or withdraw the application for the material assets reorganization application, reasons must be explained and public announcement shall be made, and the decision shall be submitted to the general meeting of shareholders for discussion according to the provisions of the company charter.

Article 27 If one of the following exists for the material assets reorganization of the listed company, it shall be submitted to the Review Committee of Merger, Acquisition and Reorganization for examination and verification:

(1) The total amount of the assets sold and purchased by the listed company both reaches or exceeds 70% of the total assets at the year end in the audited consolidated financial statement of the last fiscal year of the listed company;

(2) The listed company sells all the operational assets and purchases other assets at the same time;

(3) Other situations that the CSRC regards necessary for submission to the Review Committee of Merger, Acquisition and Reorganization during the period of examination and verification.

If none of the aforesaid situations exists for the material assets reorganization, but one of the following situations exists, the listed company can apply to the CSRC for submitting the reorganization scheme to the Review Committee of Merger, Acquisition and Reorganization for examination and verification:

(1) The assets purchased by the listed company is an integrated business entity which complies with the stipulations of Article 48 of the Measures and whose performance needs to be calculated on a simulated basis;

(2) The listed company has objection to the feedback of relevant competent departments of the CSRC.

Article 28 Upon receipt of the notice from the CSRC on calling a working meeting of the Review Committee of Merger, Acquisition and Reorganization to examine and verify the material assets reorganization, the listed company shall immediately make public announcement, and proceed to apply for the suspension of the stocks trading between the working meeting of the Review Committee of Merger, Acquisition and Reorganization and the disclosure of the decision.

Upon receipt of the voting result of the Review Committee of Merger, Acquisition and Reorganization on the material assets reorganization, the listed company shall make public announcement of the voting result and apply for the resumption of stocks trading. It shall be stated in the announcement that the company will make another public announcement after receiving the decision from the CSRC whether the reorganization has been approved or not.

Article 29 The listed company will make public announcement after receiving the decision from the CSRC whether the material assets reorganization has been approved or not on the next workday.

Where the CSRC has approved the reorganization, the listed company shall supplement relevant disclosure documents according to relevant information disclosure guidelines while making public announcement of the approval decision.

Article 30 Where the CSRC has approved the material assets reorganization, the listed company shall timely execute the reorganization scheme, compile the execution report within three workdays after the completion of the execution, submit the written report to the CSRC, the CSRC's local agency and the stock exchange, and make public announcement of the report.

The independent financial consultants and law firms retained by the listed company shall verify the execution process of the material assets reorganization, the transfer of the ownership of the assets, and the compliance and risks of related follow-up matters, and shall give explicit conclusive opinions. The opinions given by the independent financial consultants and law firms shall be reported and publicly announced together with the execution report.

Article 31 Within 60 days after receiving the approval documents from the CSRC, if the execution of the material assets reorganization is not completed, the listed company shall report the execution status to the CSRC and its local agency on the next workday after the expiry date and shall make public announcement; after that public announcement shall be made every 30 days till the completion of the execution. The approval documents shall become invalid if the execution is not completed after 12 months.

Article 32 Where major events occur which are required to be disclosed by the laws and regulations during the execution period of the material assets reorganization, the listed company shall report timely to the CSRC and its local agency. If the events result in the substantive change of the reorganization, the listed company shall re-submit to the CSRC for approval.

Article 33 Where profit forecast report has been provided in accordance with Article 17 of the

Measures, the listed company shall in the relevant annual report after the completion of the execution of the material assets reorganization separately disclose the variance between the actual profit and the forecasted profit of the listed company and the related assets, and accounting firms shall provide special examination opinions on it.

Where the evaluation organ adopts such evaluation methods that are based on the forecast of future income as the net present value method and the method of assumption development in the evaluation of the assets to be purchased and in setting the price, the listed company shall in the relevant annual report within three years after the completion of the execution of the material assets reorganization separately disclose the variance between the actual profit and the forecasted profit in the evaluation report of the related assets, and accounting firms shall provide special examination opinions on it; the dealing party shall sign an explicit and feasible compensation agreement with the listed company regarding the shortfall of the actual profit compared with the forecasted profit of the related assets.

Article 34 Where the following events occur for the material assets reorganization of the listed company, the independent financial consultants shall give verification opinions in a timely manner, report to the CSRC and its local agency and make public announcement:

(1) Before the CSRC makes the approval decision, the listed company makes changes to the dealing party, the transaction assets and the transaction price, constituting major adjustment to the original reorganization scheme;

(2) After the CSRC makes the approval decision, major events occur during the execution of the reorganization by the listed company, resulting in substantive change in the original reorganization scheme;

Article 35 The independent financial consultants shall perform continuous supervision and guiding duty on the listed company's execution of the material assets reorganization according to relevant provisions of the CSRC. The time period of the continuous supervision starts with the day of the CSRC's approval of the material assets reorganization and shall last not less than a fiscal year.

Article 36 The independent financial consultants shall, within 15 days after the disclosure of the annual report, give continuous supervision opinions with respect to the following matters of the material assets reorganization based on the annual reports of the year of the material assets reorganization of the listed company and of the first fiscal year after the completion of the execution of the material assets reorganization, report to the CSRC's local agency and make public announcement:

- (1) Status of the delivery of the transaction assets or the transfer of ownership;
- (2) Performance status of the commitment of all the interested parties in the transaction;
- (3) Realization of the profit forecast;
- (4) Development status of the business mentioned in the section of Discussion and Analysis by the Management
- (5) Corporate governance and its status;
- (6) Other matters that differ from the announced reorganization scheme.

Chapter 4 Information Management of Material Assets Reorganization

Article 37 When the listed company plans and executes material assets reorganization, relevant personnel with the obligation of information disclosure shall fairly disclose to all the investors relevant information (hereinafter referred to as “stocks pricing sensitive information”) that may have relatively big impact on the trading price of the listed company’s stocks, and shall not disclose selectively to specific targets ahead of schedule.

Article 38 Shareholders and actual controllers of the listed company and other related organs and personnel that participate in the planning, feasibility study and decision making of the material assets reorganization shall timely and accurately communicate relevant information to the listed company, and work with the listed company to have timely, accurate and complete disclosure. Where the listed company receives stocks pricing sensitive information, it shall apply to the stock exchange for suspension of trading and make disclosure in a timely manner.

Article 39 The listed company and its directors, supervisors and senior managers, the dealing party of the material assets reorganization and its affiliates, the dealing party and the directors, supervisors, senior managers or key personnel in charge of its affiliates, securities service organs and their employees retained by the transaction parties, relevant organs and personnel that participate in the planning, feasibility study, decision making and approval, and other relevant organs and personnel that are aware or may be aware of the stocks pricing sensitive information due to direct family relationship, their provision of service and other business relationship, all have obligation to keep the stocks pricing sensitive information of the material assets reorganization confidential before it is disclosed according to the law, and are forbidden to conduct inside deals using the information.

Article 40 When the listed company is planning the material assets reorganization, it shall record in detail the progress of every specific step of the planning process, including the specific time, place, participating institutions and personnel, the content of the discussion and the decision in

discussing relevant schemes, formulating relevant intentions and signing relevant agreements or letters of intent, make written memorandum of the transaction progress and properly keep it. All the personnel participating in every specific step shall sign in the memorandum immediately for confirmation.

Where the listed company expects that the material assets reorganization in plan is hard to keep secret or has already been leaked, it shall apply to the stock exchange for suspension in a timely manner, till relevant information is disclosed in a true, accurate and complete manner. During the suspension period, the listed company shall make public announcement of the status of the event at least once in a week.

When the stocks trading price of the listed company experience abnormal fluctuations due to the market rumor of the material assets reorganization, the listed company shall timely apply to the stock exchange for suspension, verify whether there are reorganization matters that affect the stocks trading price of the listed company and make clarification; it shall not refuse to perform the information disclosure obligation citing the reason of the uncertainty of the relevant matters.

Chapter 5 Special Provisions on the Purchase of Assets through Issuing Shares

Article 41 The listed company shall meet the following requirements when purchasing assets through issuing shares:

- (1) Improving the assets quality of the listed company, improving the company's financial position and enhancing the capability of sustainable profit making; helping to reduce the listed company's affiliated transaction and to avoid horizontal competition, and boosting independence;
- (2) The financial reports of the last fiscal year and the last fiscal term have both received unqualified audit report from the certified accountants; where a qualified audit report, a disclaimer or a audit report with adverse opinion is received, special verification by the certified accountants shall be needed to confirm that the major impact of the events related to the qualified opinion, the adverse opinion or the disclaimer have been eliminated and will be eliminated through the transaction;
- (3) The assets purchased by the listed company through issuing shares shall be operational assets whose ownership is clear, and the transfer of ownership can be completed within the agreed

time period.

(4) Other requirements of the CSRC.

Where after specified parties purchase the non-publicly issued shares of the listed company with cash or assets, the listed company purchases assets from the specified parties using the money raised from the same non-public issuance, the listed company is deemed to purchase assets through issuing shares.

Article 42 The price of the shares issued by the listed company shall not be lower than the average trading price of the company's stocks over the 20 trading days prior to the day of the public announcement of the decision of the board of the directors on purchasing assets through issuing shares.

The calculation formula of the aforesaid average trading price is: the average trading price of the company's stocks over the 20 trading days prior to the day of the public announcement = total trading amount of the company's stocks over the 20 trading days prior to the day of the public announcement / total trading volume of the company's stocks over the 20 trading days prior to the day of the public announcement.

Article 43 Shares of the listed company purchased by specified parties with assets cannot be transferred within 12 months from the day of the completion of the issuance; if one of the following situations applies, they cannot be transferred within 36 months:

(1) The specified parties are the controlling shareholders, the actual controllers of the listed company or the affiliates controlled by the listed company;

(2) The specified parties have obtained the actual controlling right of the listed company through the purchase of the shares issued this time;

(3) By the time the specified parties obtain the shares issued this time, they have continuously owned the rights of the assets they use to purchase the shares for less than 12 months.

Article 44 The listed company's application for issuing shares to purchase assets shall be submitted to the Review Committee of Merger, Acquisition and Reorganization for examination and verification.

Article 45 If the listed company's purchase of assets through issuing shares causes the specified parties to hold or control shares that reach the legal percentage, relevant obligations should be performed according to the Measures on Administration of the Acquisition of Listed Companies

(Order of the CSRC No.35).

If the specified parties hold or control over 30% of the shares of the listed company or the percentage continues to increase after 30% due to their purchase of the shares issued by the listed company, and the general meeting of the shareholders of the listed company agree to exempt the specified parties from sending the offer, the application for the exempt of the offer obligation can be made together with the listed company's application submitted to the CSRC for the issuance of shares.

Article 46 After the CSRC's approval of the listed company's application for the purchase of assets through issuing shares, the listed company shall start execution in a timely manner. After the related assets purchased from the specified parties have been transferred to the listed company, the independent financial consultants and law firms retained by the listed company shall verify the transfer of the ownership of the assets and the compliance and risks of related follow-up matters, and shall give explicit opinions. The listed company shall make public announcement on the transfer of the ownership of the related assets within three workdays after its completion, and submit a written report to the CSRC and its local agency. The public announcement and the report shall include the conclusive opinions of the independent financial consultants and the law firms.

After the listed company finishes the aforesaid public announcement and report, it can complete the securities registration formalities at the stock exchange and the securities registration and clearing company for the specified parties that have purchased the shares.

Chapter 6 Application for Issuing New Shares or Company Bonds after the Material Assets Reorganization

Article 47 After the completion of the execution of the material assets reorganization that have been examined and approved by the Review Committee of Merger, Acquisition and Reorganization, if the listed company applies for public issuance of new shares or company bonds and meets the following requirements, the performance before the material assets reorganization can be assessed based on a simulated basis during examination and verification:

- (1) The assets that enter the listed company are an integrated business entity;
- (2) After the completion of execution of the material assets reorganization, commitments of the reorganizing party have been performed duly, and the listed company is running steadily and

performing well;

(3) After the completion of execution of the material assets reorganization, profit realized by the listed company and the related assets reaches the forecasted profit level.

Where the listed company does not meet the requirements for public issuance of securities before the material assets reorganization, or the material assets reorganization results in the change of the actual controller of the listed company, the listed company can only apply for public issuance of new shares or company bonds at least one complete fiscal year from the completion of the material assets reorganization.

Article 48 The integrated business unit mentioned in the Measures should meet the following conditions:

(1) Its business and operational assets are independent and integrated and there have not been major changes in the past two years;

(2) It has been running successively for at least two years under the same controller before it enters the listed company;

(3) Before entering the listed company, it has independent accounting, or though it does not have independent accounting, all the income and expenses related to its business can be clearly separated in accounting;

(4) The listed company makes appropriate arrangements with respect to the sustainable operation and management of the business entity after the completion of the transaction by signing employment contract with the business entity's key executives or taking other measures.

Chapter 7 Supervision Management and Legal Responsibility

Article 49 Where material assets reorganization is conducted without approval, correction is demanded, and regulatory measures such as regulatory talks or presentation of the letter of warning can be taken; if the circumstances are serious, warning and a fine shall apply, and relevant measures for banning the entry into the securities market against the relevant liable persons can be adopted.

Article 50 Where the listed company or other personnel with information disclosure obligation fail to submit relevant reports of the material assets reorganization according to the provisions of the Measures, or there are falsified description, misleading statements or major

omissions in the reports submitted, correction is demanded, and a penalty shall be imposed according to Article 193 of the Securities Law; if the circumstances are serious, the reorganization activities shall be ordered to stop and relevant measures for banning the entry into the securities market against the relevant liable persons can be adopted.

Article 51 Where the listed company or other personnel with information disclosure obligation fail to disclose information of the material assets reorganization according to relevant provision, or there are falsified description, misleading statements or major omissions in the information disclosed, correction is demanded, and a penalty shall be imposed according to Article 193 of the Securities Law; if the circumstances are serious, the reorganization activities shall be ordered to stop and relevant measures for banning the entry into the securities market against the relevant liable persons can be adopted; where a crime is suspected, the offender shall be handed over to the judicial organs where he shall be pursued for criminal liability according to the law.

Article 52 Where the directors , supervisors and senior managers of the listed company fail to perform the obligation of being honest, credible, diligent and dutiful during the material assets reorganization, causing the reorganization scheme to damage the interests of the listed company, correction is demanded, and regulatory measures such as regulatory talks or presentation of the letter of warning shall be taken; if the circumstances are serious, warning and a penalty shall apply, and relevant measures for banning the entry into the securities market against the relevant liable persons can be adopted; where a crime is suspected, the offender shall be handed over to the judicial organs where he shall be pursued for criminal liability according to the law.

Article 53 Where securities service organs and their employees that issue report of the financial consultants, the audit report, legal opinions, assets evaluation report and other professional documents for the material assets reorganization fail to perform the obligation of being honest, credible, diligent and dutiful, and violate industrial norms and business rules, or fail to perform the obligations of reporting, public announcement and continuous supervision, correction is demanded, and regulatory measures such as regulatory talks or presentation of the letter of warning shall be taken; if the circumstances are serious, a penalty shall be imposed according to Article 223 of the Securities Law.

Where there are falsified description, misleading statement or major omissions in the documents produced and issued by the aforesaid securities service organs and their employees, correction is demanded, and a penalty shall be imposed according to Article 223 of the Securities Law; if the circumstances are serious, measures for banning the entry into the securities market can be adopted;

where a crime is suspected, the offender shall be handed over to the judicial organs where he shall be pursued for criminal liability according to the law.

Article 54 After the completion of the execution of the material assets reorganization, if for reasons that the management of the listed company cannot know beforehand and cannot control afterwards, the profit realized by the listed company and the assets purchased fail to reach 80% of the forecasted amount in the profit forecast report of the assets evaluation report, or there is relatively big variance between the actual operation and the section of Discussion and Analysis by the Management of the material assets reorganization report, the chairman and the general manager of the listed company and the accounting firms, financial consultants, assets evaluation organs and their employees that should bear corresponding responsibilities shall, at the same time when the listed company discloses the annual report, provide explanation in the same press and publicly apologize to the investors; where the profit does not reach 50% of the forecasted amount, such regulatory measures can be adopted as holding regulatory talks with the listed company, relevant institutions and liable persons, presenting the letter of warning and demanding regular reports.

Article 55 Where any persons who are aware of the information of the material assets reorganization, if before the relevant information is disclosed according to the law, leak the information, buy or sell or suggest other people to buy or sell securities related to the listed company, make use of the material assets reorganization to spread false information, manipulate the securities market or conduct fraudulent activities, penalty shall be imposed pursuant to Articles 202, 203 and 207 of the Securities Law; where a crime is suspected, the offender shall be handed over to the judicial organs where he shall be pursued for criminal liability according to the law.

Chapter 8 Supplementary Provisions

Article 56 The *Measures* will come into force as of May 18, 2008. *The Notice of the China Securities Regulatory Commission on Several Issues Concerning Major Purchases, Sales and Exchanges of Assets by Listed Companies (No.105 [2001] of the China Securities Regulatory Commission)* will be repealed at the same time.

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